TQM Volume-10

Total Quality Management in Factory Management

The Matrix Diagram and The Quality Control Circle Working II

2025a Edition

Kouichi (木村　紘一) Kimura

Factory Management Institute

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Kouichi (木村　紘一) Kimura Sensei: International Consultant of the TPS (Total Productive System), TQM, TPM (Total Productive and Total Preventive Maintenance), Kaizen, and Factory Management. Expert in introducing and fixing these through personal growth and assistance to the management of the change organization.

Kimura ***Sensei*** worked in ***Office and Production-Gemba*** for more than 45 years, during which time he developed the JIT production system as a supplier for Toyota, Honda, etc. in SUMITOMO Corp. from the position of a young engineer to General Manager, passing through internal and external consulting.

At the time of publication and over the age of 80, he continues working on disseminating original Japanese methods and more knowledge, even that learned from the pioneers. He has been an international consultant for the last 30 years in more than 11 countries, training clients as a lecturer and writer. Even now, he is experimenting, researching innovative methods, and growing in the field of Production Management and Corporate structuration.

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Icons:

Notes: Going back to the central theme.

The third level of the Issue provides more clearness to the structure of the text to the more relevant.

Lower levels of the Issue, commonly 6th or 7th, and, pointing out necessary explanations about pictures or graphs.

UPDATING TABLE:

Date, Version-Previous & V-Next	Chapter (I..XX...)	Chapter Point.- sub-point : (Updating)

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SUMMARY

This paper reflects on multiple themes intertwined with organizational dynamics, historical changes, and cognitive biases, offering insights into corporate and societal patterns.

The opening chapter delves into Honda's corporate integration of Nissan, highlighting the irony of a long-awaited prediction finally coming true. It compares the leadership styles and organizational structures of both companies: Nissan's top-down approach versus Honda's horizontal hierarchy and emphasis on innovation. The analysis extends to echo chambers and filter bubbles, highlighting their impact on cognitive bias and decreased reading comprehension among younger generations, with profound implications for communication and teamwork.

In the first chapter, we describe the Matrix Diagram as one of the tools of TQM. We therefore explore the use of matrix diagrams as a tool to clarify complex structures, especially in engineering and information management, enabling optimal autonomous management of objectives. It emphasizes the importance of visual clarity in organizing multidimensional issues. The Jishu-Ken Session continues with an analysis focused on the development of these sessions, revealing their role in problem-solving and continuous improvement. Practical examples illustrate how collaboration and structured exploration can foster innovation.

We include an appendix that we hope will spark discussion. We seek to add Eduardo L. García's experience and certain comments regarding Kimura ***Sensei's*** presentation. We seek to spark debate among readers, challenge the teachings to the current environment driven by the Artificial Intelligence-driven revolution, and how this evolution relates to the development of excellence. In this installment, we discuss the models developed under the Japanese system expounded by Kimura Sensei, specifically the work at SJISHU-KEN. We compare this to the Western Model along with certain developments promoted by JIPM's regional strategic partners.

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I. Prologue

When writing this column, tremendous news was announced. At last, Nissan will be absorbed by Honda.

No, its expression is exaggerated... The actual news was that Honda and Nissan decided on a corporate integration. However, actually, Nissan was absorbed by Honda because most of the management members, including the president, of this corporate integration were chosen from Honda[1].

At last? Why do I say, "at last"? Long years ago, a book became a hot topic. Published in 1986, it is titled "The Day of Nissan to be Overtaken by Honda." (I think the title was something like that.)[2] At that time, Toyota was at the top share, and Nissan was second. And, Honda was very much smaller than Nissan. At the same time, Honda was constructing an overseas plant in the US, specifically in Marysville, Ohio, in 1982. (I have visited this plant 3 or 4 times.) It was the first challenge faced by Japanese car makers.

Nissan is characterized by a top-down approach with decision-making concentrated at the top, but it is also said to face bureaucratic challenges. On the other hand, Honda has the impression of a courageous challenge. In particular, it has a history of being flat organized by management and Genba employees.

This book highlighted the decline of Nissan. At last, yes, the day has finally come.

By the way, I introduced two words in the column of Cost. These are Echo Chambers and Filter Bubbles. Recently, I wrote about cognitive biases that influence our thought processes. Today, I would like to introduce two additional concerning topics related to cognitive biases: echo chambers and filter bubbles. These phenomena also have a profound effect on how we receive information and our thought processes. These phenomena are especially prevalent on social media and online platforms.

I am worried about the young generation. Too worried? Please monitor the reading comprehension capacity of the young generation. I am concerned about the Reading Comprehension capacity of the young generation.

A decline in reading comprehension has numerous profound effects on social life, particularly in the workplace. The effects are as follows:

- Hindered communication: A decline in reading comprehension makes it challenging to communicate with others. Because materials and reports cannot be accurately

[1] As of the publication of this edited version, this takeover has failed. The clash between the two cultures appears to have been the trigger for this split, in which Honda has given up trying to save its competitor. Nissan appears to have redesigned a long-term strategy whose results will be scrutinized by the market in the medium term, following the initial enthusiasm. Honda's takeover of Nissan failed primarily due to differences in the merger proposal. Honda wanted Nissan to be a subsidiary, which meant losing independence in strategic decision-making, while Nissan wanted a merger on equal terms.
[2] [eng] The day Nissan is eaten by Honda: Honda is now Toyota's rival. [esp] El día que Nissan se deja devorar por Honda: Honda es ahora rival de Toyota - 1986/4/1 ISBN-10: 4871770222 ISBN-13: 978-4871770224

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understood, misunderstandings and misinterpretations of information are more likely to occur. This makes it difficult to cooperate and communicate within a team, reducing work efficiency.

- Decreased ability to gather information: In today's world, where there is abundant information on social media and smartphones, a lack of reading comprehension may lead to poor judgment in business decisions, as it may be challenging to identify the necessary information.
- Impact on problem-solving ability: Reading comprehension is also closely related to logical thinking. A lack of ability to accurately understand texts and draw inferences from them will also lead to a decline in problem-solving ability.
- Impact on career: And, above all, a lack of reading comprehension will have a negative impact on promotion and career advancement. In particular, as AI technology evolves, "reading comprehension" is required as a uniquely human ability. If you do not have this, you run the risk of being forced into a job that AI can replace.

Reading Comprehension. I threatened this company about this. But I couldn't get a good reaction. Therefore, I write it to sound the alarm.

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II. The Matrix Diagram

I would describe the Matrix Diagram. It is handy (?) for presentation material. But my meaning is "It looks good, but it's not very useful" if you use it without a device by modification. Because it has no story (narrative).

These diagrams make it possible to identify the relationship and influences. And? …And how to feedback this data to some action by the diagram? …Then, my suggestion is that please use Matrix Diagram (of New QC 7 Tools) with your device (ingenuity) and modification as you Kaizen story.

Please read this chapter in this context. Let's look at an example before discussing it.

Next is a QC Circle material. In the material, the name Mr. Kimura is mentioned. But it is not me; it is another Kimura-san. (In Japan, there are 500,600 thousand people named Kimura. Kimura is a very popular second name.)

Quality Control Circle – QCC, an example

The supervisor, Mr. Kimura, has the plastic injection production site and receives the material from the Synthetic Resin department. Mr. Kimura told the supervisor of the epoxy additive production process, Mr. Tanaka, about the particle-grade defect.

At that time, the department's policy for the year is to reduce the quality cost by 50% with the headwater (river source) Quality Control activity. The supervisor (Mr. Tanaka) established a QC (Quality Control Circle) group called MIRUTAMA. This example concerns the group's activity.

The group's topic is **to improve the ability of the particle process in additives**:

(1) Reasons to choose the topic;
(2) Understand the current situation and decide the goal (Histograms & Control Graphs);
(3) Root Cause Analysis;
(4) Set of the possible countermeasures study: Countermeasure 1, 2 …n;
(5) Implementation of Countermeasures;
(6) Effect Confirmation (Checklist, controls and Target & Goal confirmation);
(7) Standardization and control Setting;
(8) Reflection and Standardization of Control on Improved Countermeasures.

Now one by one…

(1) Reasons for the topic chosen:

a) With the policy of the year, the head of the department wants to reduce the quality loss cost by 50%, and the special point requires to do the headwater (river source) control to reduce the problems.

b) It was clarified that the particle diameter is close to the Lower Limit, although within the specification, and it is possible that it falls outside the specification.

Based on these articles, it was decided that reviewing the grinding condition could improve the particle process capability.

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(2) Understand the current situation and, decide the goal:

(a) The synthetic resin additive process.

1. Grinding process (Ball mill)
2. Sieve process
3. Sampling inspection
4. Bag

(b) Current situation of particle diameter

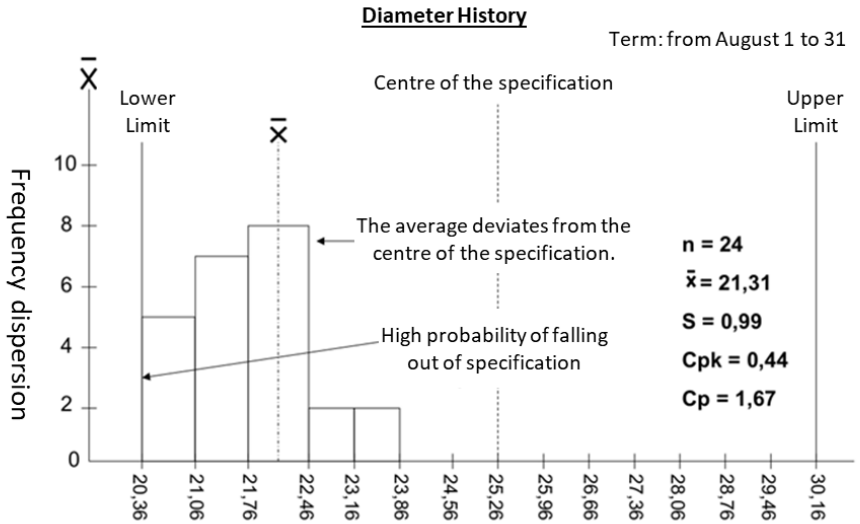
(c) <u>Decide the goal</u>

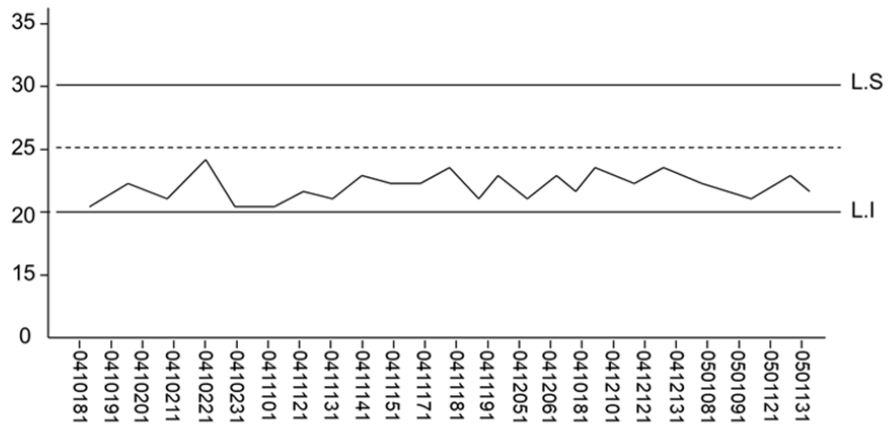
Based on the research, the following was decided:

1) What: The index of the process capability of the synthetic resin additive.
2) How: Cpk, from 0.44 to 1.33 or more.
3) When: Until the end of November.

The particle diameter of the additive was investigated by making the following graph. Based on this investigation, it is seen that the diameter value is on the LL (Lower Limit) side, although within the specification.

The following histogram was built. It describes that the $\bar{X}$ (Average) is far from the centre of the specification. Cp = 1.67 and Cpk = 0.44 which is too low.





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(3) Cause Analysis

a) Investigation using the Cause-and-effect Analysis or the Ishikawa diagram … (I omit the diagram).

b) Checking of the Causes (experiments).

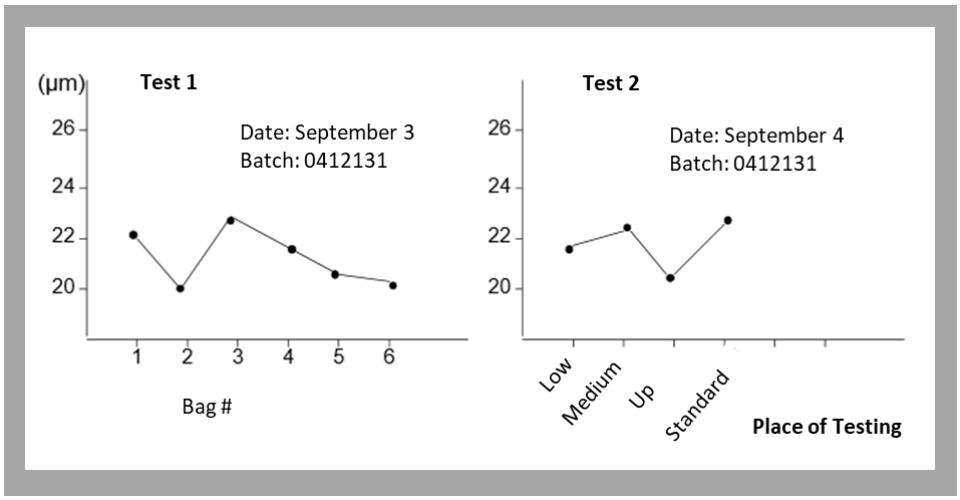
i. Checking 1: **There is no ball control.**
Confirmed the inspection list of ball mill machine. However, the ball size inspection item is not on the list and was not checked.
Ball Size: ø24,25.
Total Weight: 233,56kg.

ii. Checking 2: **The grinding time is not adequate.**
When the frequency distribution was checked, the trend was on the fine side. Now, the grinding time is 18 hours, which seems too long. Based on the Histogram, we understand that it is highly probable that it is outside the Lower Limit of the specification.

iii. Checking 3: **The sampling method has not been unified.**
We confirm the sampling method and understand that the variability depends on the bag. We know the differences are above, below, and in the middle of the bag.

c) Conclusion of checking of Cause and Effect Analysis.

i. No ball size control in the milling process.
ii. The grinding time of 18 hours is too long, and the particle size is fine.
iii. There is variability in the sampling method.



(4) Statement of measures

We examine the measures with the system diagram to improve the capacity of the synthetic resin additive process.

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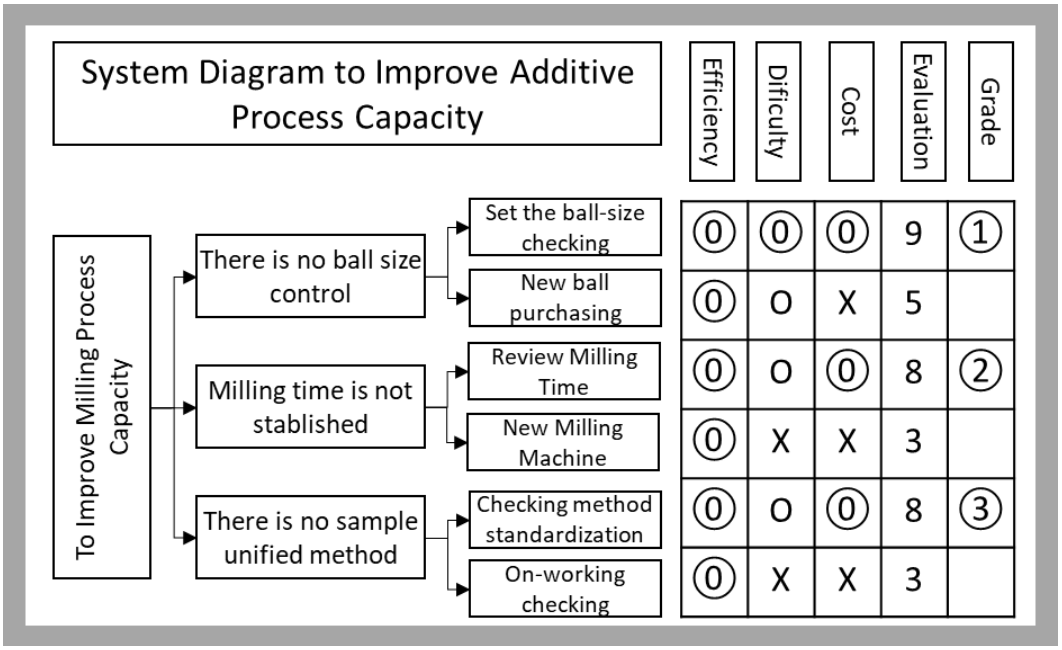

(5) Implementation of countermeasures

With the system diagram, the 3 measurement items that have 7 or more value are made.

Countermeasure 1: Add inspection items that influence the particle size in ball mill and sieve machine.

And, the item is as follows:

Inspection item	Monthly	Yearly
Ball size inspection	**X**	**O**
Balls total weight	**X**	**O**
Balls Deep length from the machine door	**O**	**O**
RPM	**O**	**X**
Checking the sieve mesh	**O**	**X**

Countermeasure 2: Review of grinding time.

We investigated the relationship between diameter and grinding time with a diameter graph. 16Hs is the expected time and in the middle of the specification.

In the historical database, this 16Hs is a good enough time. But… We decided to change this time.

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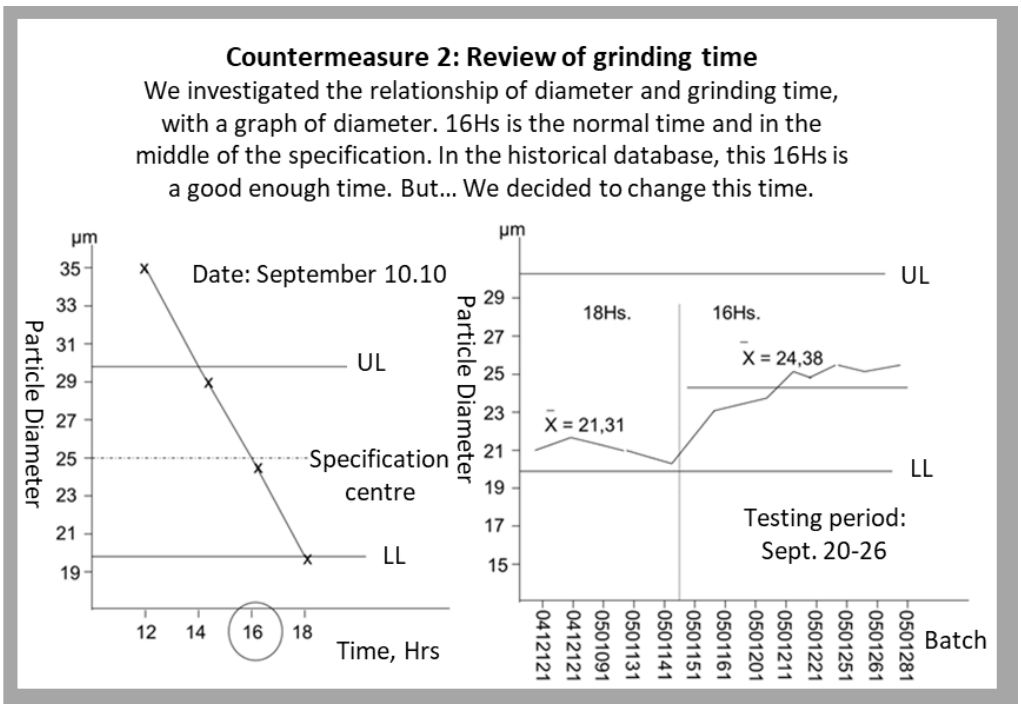


Countermeasure 3: Standardization of the sampling method.

We standardized the sampling method in the ball mill and sieve process standard.

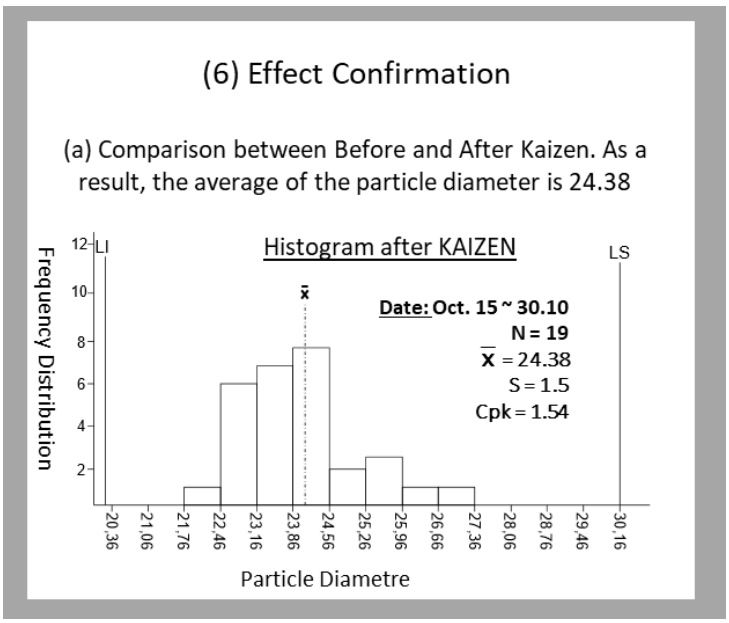
1. Mix sufficiently (30 seconds) for particle uniformity <u>after sieving</u>, then sample.
2. The sample amount is 20 grams.
3. Sample from the first sieve bag.

Comparison between Before and After KAIZEN. As a result, the average of the particle diameter is 24.38 (the following histogram).

(6) Effect Confirmation

(a) Comparison between Before and After Kaizen. As a result, the average of the particle diameter is 24.38

(b) Comparison with the target value (next page figure).



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	Target	Result
When	Till finish of November	Nov.25.10
To What	Cpk of the synthetic resin additive	
How	Cpk from 0.44 to 1.33 or more	Cpk=154 and enough process capacity

(c) Monetary Effects
   a. a. Costes perdido debido a la producción adicional.
      Precio unitario de 1 g de aditivo = 8,54 yenes.
      50.000 x 8,54 = 427.000 yenes/año.
   b. Medidas para prevenir problemas de proceso.
      Se lograron prevenir tres problemas de proceso en el secador, el molino de bolas y el tamiz.
      25.000 yenes x 3 veces = 75.000 yenes.
   c. Suma provisional del efecto = 502.000 yenes/año.

(d) Intangible Effect
   e. Se logró acumular la técnica de control de partículas en el proceso de molienda (molino de bolas).

(7) Standardization and Control setting

(a) Standardization setting result
   1. Aditive procedure ~ Sieving
      (Q-302-0745) Readjustment
   2. **Daily** Machinery Check List
      (Q-302-0745) Readjustment
   3. **Monthly** Machine Check Table
      (Q-302-0711) Readjustment.

(b) We did the following to set the control
   The operator performs a particle check using the inspection control diagram.

(8) Self-reflection and current standardized counter measurements[3]

(a) Reflection:
   Finding the cause of the trend on the lower limit side takes time.

(b) We look for the most appropriate value for the data concentrated in the center of the Upper Limit and the Lower Limit.

This is one of my students' QC Circle activities. I will describe the details of the QC Circle activity in another chapter.

Now, Matrix Diagram. Once again, the following drawing:

[3] This eighth step is not part of the traditional seven-step QC Story. However, Kimura Sensei mentions it as one of the fundamental components of the continuous improvement cycle. Some texts add a ninth step to plan the subsequent improvement or choose the next topic. Kimura Sensei also mention this step in his PDCA cycle.

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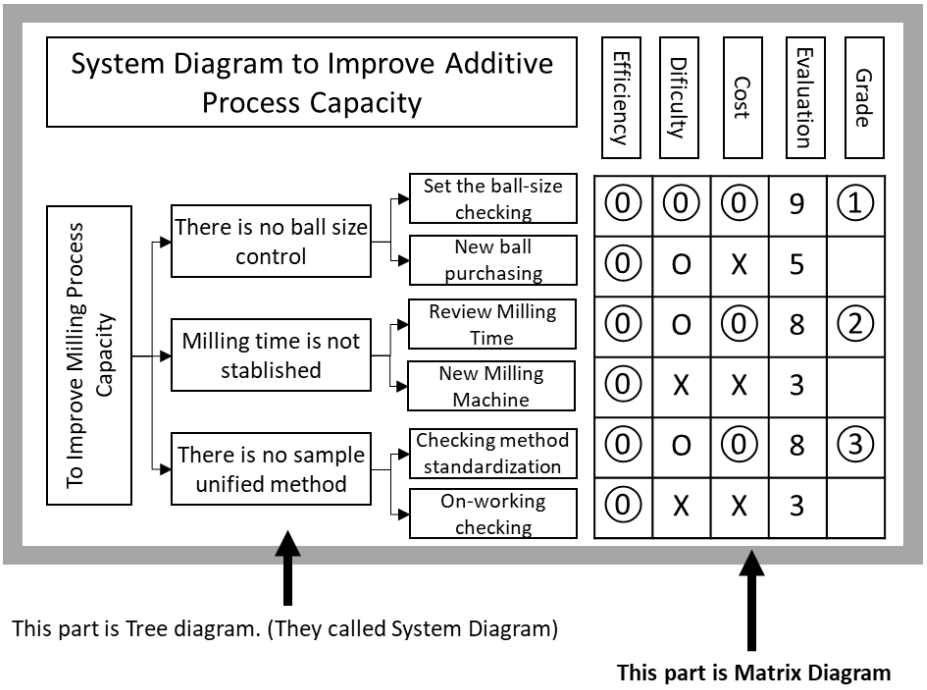
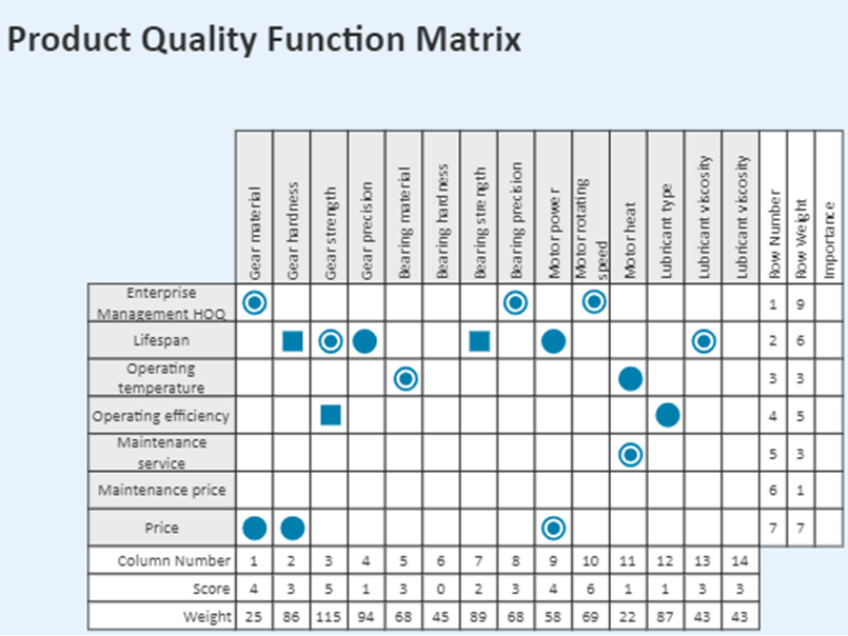


Matrix Diagram has some types as follows:

The description below is a copy & paste from SNS. If you like, please ignore it.

- ***L Type**: The Above QC Circle example is this and the most typical form.*
  - ***Characteristics**: A basic shape that combines two elements, rows and columns.*
  - ***Uses**: Used to analyse simple relationships.*



Product Quality Function Matrix

	Gear material	Gear hardness	Gear strength	Gear precision	Bearing material	Bearing hardness	Bearing strength	Bearing precision	Motor power	Motor rotating speed	Motor heat	Lubricant type	Lubricant viscosity	Lubricant viscosity	Row Number	Row Weight	Importance
Enterprise Management HOQ	◉							◉		◉					1	9	
Lifespan		■	◉	●			■		●				◉		2	6	
Operating temperature					◉						●				3	3	
Operating efficiency			■									●			4	5	
Maintenance service											◉				5	3	
Maintenance price															6	1	
Price	●	●							◉						7	7	
Column Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14			
Score	4	3	5	1	3	0	2	3	4	6	1	1	3	3			
Weight	25	86	115	94	68	45	89	68	58	69	22	87	43	43			

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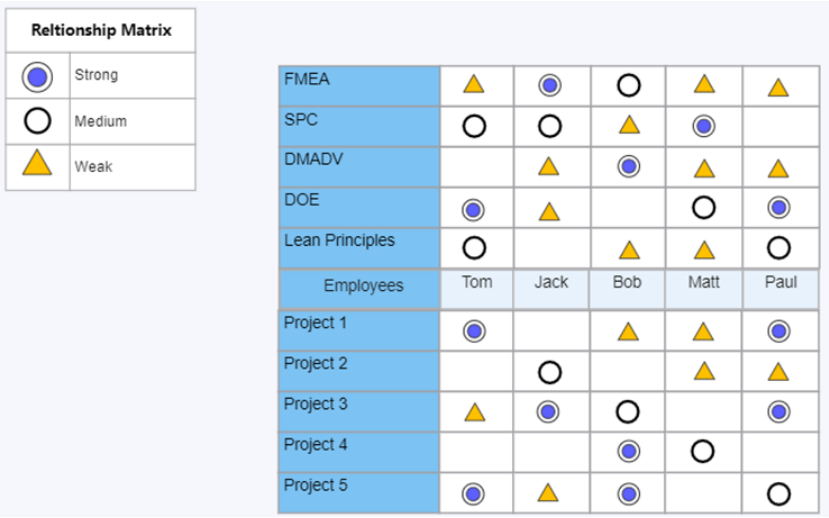
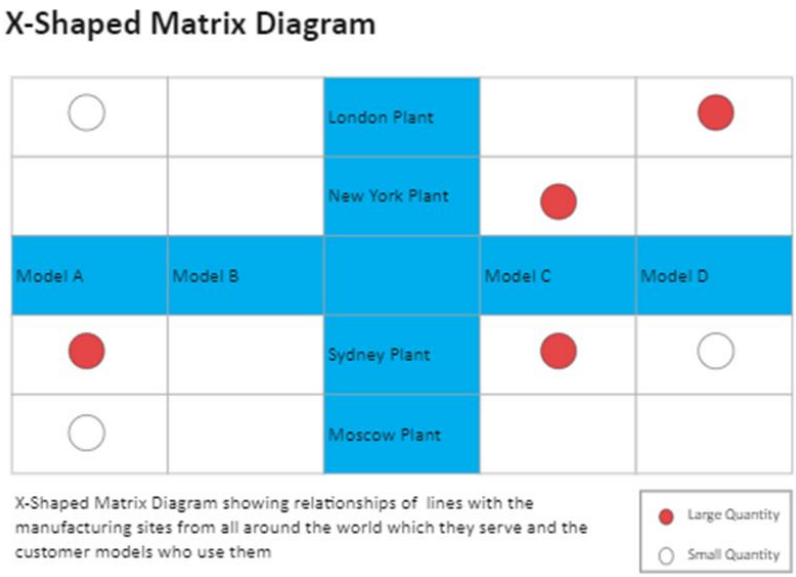
- ***T Type**: the example in the figure above.*
  - ***Characteristics**: One element is sandwiched between two items on the left and right, or above and below.*
  - ***Uses**: Useful for simultaneously evaluating the relationship between multiple elements. Another example below.*

***Title**: T-shaped Matrix Diagram— Comparing Individual Skill on Multiple Projects and Project Execution Performance. In fact, there are not many examples of quality-related.*



- ***Y-Matrix** Diagram:*
  - ***Characteristics**: Represents three elements in a cubic shape.*
  - ***Uses**: Suitable for analyzing complex relationships.*

- ***X-Matrix** Diagram*
  - ***Characteristics**: Each of the four elements is related to the two adjacent elements.*
  - ***Uses**: Helps visualize multidimensional relationships.*



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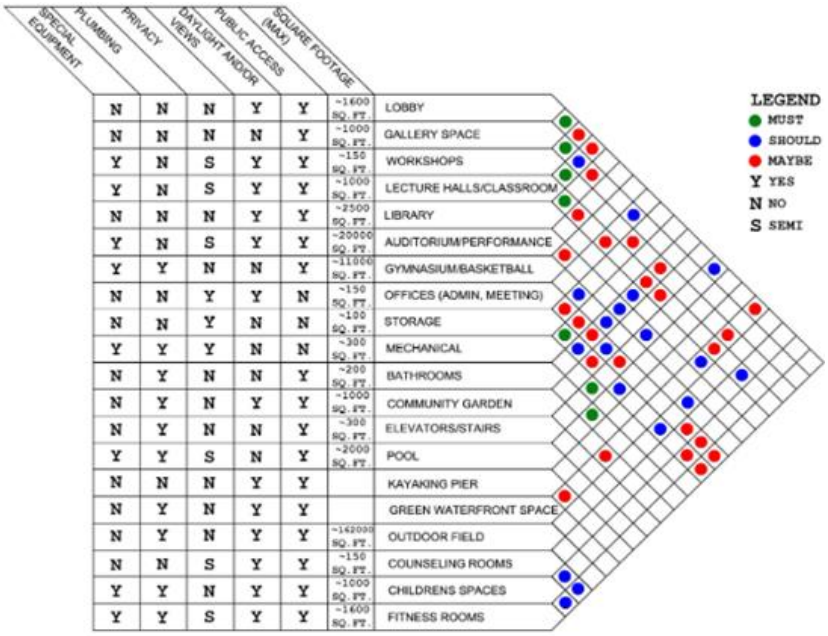
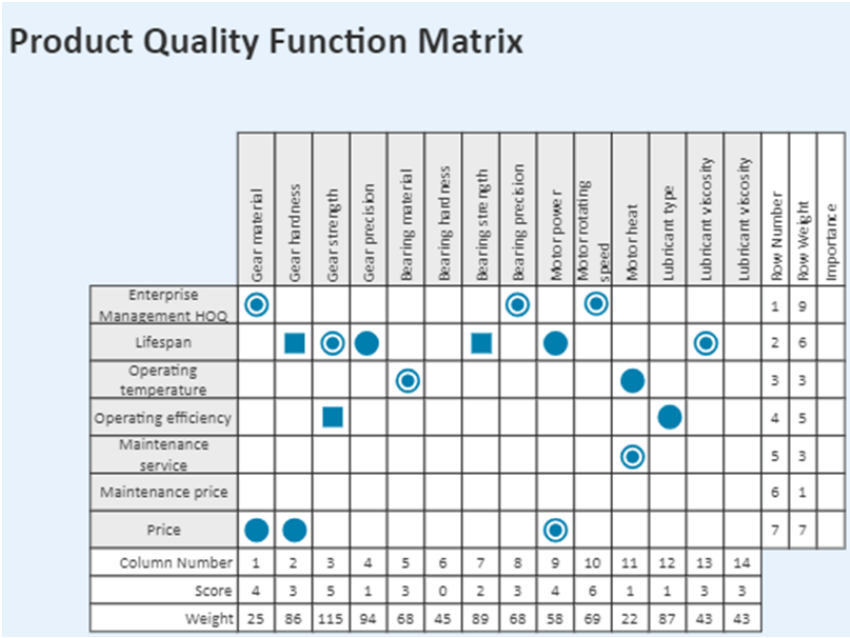
- ***Roof-Matrix Diagram*** *(below)*
  - ***Characteristics****: A roof-shaped matrix used primarily in Quality Function Deployment (QFD).*
  - ***Uses:*** *Used to analyze the relationship between product quality characteristics and customer requirements.*



…In my heart, I feel that it's not interesting to write a continuation, and I'm getting sick of it. Should I use it for QFD? Has this writer experience with QFD by the Roof Matrix Diagram? Probably not.

Don't use these tools in their original forms of the New QC 7 tools. Why? …For instance, T-Matrix Diagram.



Product Quality Function Matrix

	Gear material	Gear hardness	Gear strength	Gear precision	Bearing material	Bearing hardness	Bearing strength	Bearing precision	Motor power	Motor rotating speed	Motor heat	Lubricant type	Lubricant viscosity	Lubricant viscosity	Row Number	Row Weight	Importance
Enterprise Management HOQ	◉							◉		◉					1	9	
Lifespan		■	◉	●			■		●				◉		2	6	
Operating temperature					◉						●				3	3	
Operating efficiency			■									●			4	5	
Maintenance service											◉				5	3	
Maintenance price															6	1	
Price	●	●							◉						7	7	
Column Number	1	2	3	4	5	6	7	8	9	10	11	12	13	14			
Score	4	3	5	1	3	0	2	3	4	6	1	1	3	3			
Weight	25	86	115	94	68	45	89	68	58	69	22	87	43	43			

I use this type quite often, but completely different to this example.

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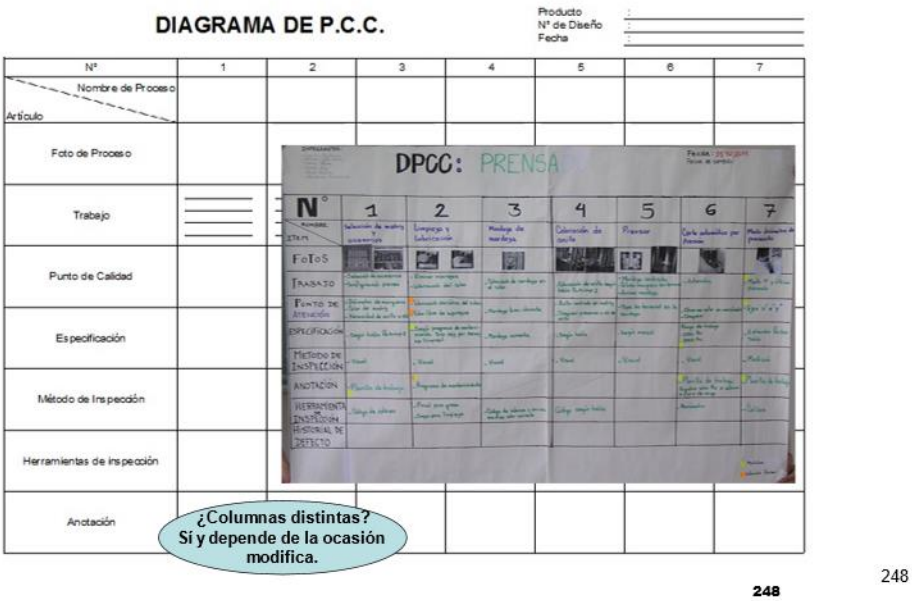
The difference is the use of cells.

T-Matrix Diagram uses the cells for identifying the relationship and degree of influences.

My QCPD has different use of cells. The cells are used importantly to write in the necessary articles such countermeasures. Relationship? Of course, it is obvious. If you like to identify the degree of influences, I recommend you to put colour marks of Red, Yellow and Green or numbers of 1,3,5 by intuition.

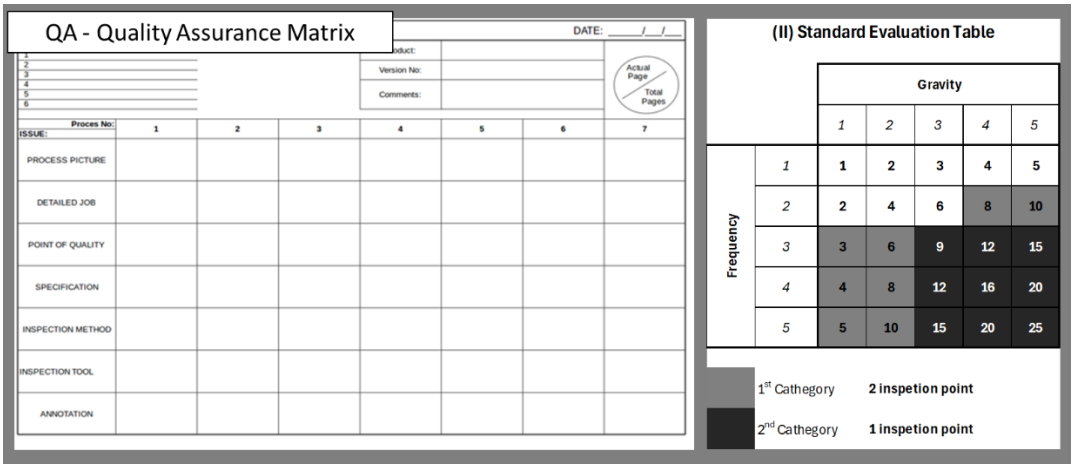


Again, this is one type of T-Matrix Diagram.

- Vertical axis has Work contents, Quality point, Specification, Inspection method, Inspection tool and Action.
- Horizontal axis has Process name and Number and Photo.

I teach and use this diagram to establish and confirm the quality system of a product.

Next is a form of **QA - Quality Assurance Matrix**. This is one of the applications of QCPD Quality Control Process Diagram, which combines QCPD and FMEA.



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QCPD - **Quality Control Process Diagram** is "Design a Quality Assurance System by the Engineering Department." I recommend the QCC - Quality Control Circle activity with people from the Production Genba.

QA Matrix (Quality Assurance / Quality Control) ***Risk Evaluation Table***. The burden of such consideration falls on the Quality Control and Inspection department, but I recommend conducting the activity in the Production Genba with the Operators. Designing the inspection system is also essential.

When evaluating potential failures through FMEA, severity and frequency should also be considered in order to design risk mitigation countermeasures.

I will explain the QCPD + Risk Evaluation Table a bit: It is combined with the QCPD and FMEA evaluation methods.

Next are the differences between QCPD and the Quality Assurance Matrix.

Vertical axis: QCPD is as above. The QA Matrix has two items: one is potential problems by PPM—Potential Problems Map M.PP. Another is the evaluation by the FMEA method to identify the priority.

Use of cells: According to the items of the vertical axis:

- **QCPD:** Quality point, Specification, Inspection method, Inspection tool and Action.
- **AC Matrix:** Countermeasures for potential problems in each step.

Does it look complicated when written in text, doesn't it? …Why not give it a try? It's easy. Gemba people are also using my methods very easily, having fun and enjoying the activity.

Going back and forth a bit, but… What is different?

Again, in the first place, what is the purpose of a Matrix diagram? …According to a textbook, the purpose of the matrix diagram is to visually organize the <u>relationships and influences between multiple elements in order to solve problems and make decisions effectively.</u>

Another book also said the next.

Matrix diagramming is a technique for getting an overview when there is a large amount of information related to the purpose you want to know. It involves setting up two events and then representing the information at the intersections where the events relate using symbols.

So, how can you feedback such data of matrix diagram (for instance) to new product design or production flow.

Relationships and influences were understood. Then, how do you feed back?

For instance, consideration of a layout.

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A and B have a relationship and influence, and should be nearby. It is possible to use such a diagram. (If your production lines are so complicated with various products and shared machines.)

For instance, consideration of product quality:

We are discussing about TQM, please remember it.

Is understanding the relationship and influences sufficient to feedback to action? No, not at all. It is necessary to know the contents. Therefore, I suggest using QCPD (for instance). QCPD has both information.

I would show you another example: T-Matrix Diagram of IPQC (Initial Products Quality Control Committee) material.

As you know, my previous company SWS (Sumitomo Wiring Systems) produces wiring harness of vehicles.

When started a new vehicle development, this committee is established. And the first work is to make up this diagram.

- **Vertical axis**: Vehicle development steps and months (timing).
- **The horizontal axis**: All departments, not only the engineering, but also sales, HR, Quality, Sales, Finance, Operations, Supply-Chain, etc. Anyway, all departments.

As you see, it is grand diagram.

Of course, this diagram is used for not only the relationship and necessary activity by step and by each department but also is used for follow up in grand meeting.

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Quality Assurance System

									May 10.25	Page 1
									Change 1:	05-14-25
									Change 2:	10-26-25

#	Process Indetification	Month	Sales	Finance Administration	Enginnering Design	Production engineering	Human Resources	Planning and Production Planning	Quality and Inspection	Purchasing and Warehousing
1	***Design-1***	**-24**	Research and Need Analysis	Cost Plan	Need Research and Analysis	Proprietary research				Raw material research and purchasing needs
			Design Concept		Design Concept	New technology research				
			Competitor Research		Competitor Research					
					Design Idea			Production Plan	Examination of Manufacturing Drawings	
					Raw Material Information					
2	***Essay***	**-19**	Evaluation and Concept	Cost Analysis and Tentative Cost Target	Evaluation and confirmation of the concept	Trial production		Trial production	Organize the Quality Committee in the initial period	New Raw Material Research
			Tentative Cost Goal	Cost Subcommittee	Tentative Cost Goal	Confirmation of required technique			Quality Plan and Policy	
				Cost Goal	Design Sub-Committee			Production Readiness Sub-Committee	Organize the Quality Sub-committee	Obsolescence Prevention Sub-Committee
					Prototype evaluation	Prototype evaluation			Prototype evaluation	
					Obsolescence Raw Material List					
#	Process Indetification	Month	Sales	Finance Administration	Enginnering Design	Production engineering	Human Resources	Planning and Production Planning	Quality and Inspection	Purchasing and Warehousing
3	***Design-2***	**-14**	Fine concept	Cost Analysis and Standard Cost	Fine concept	Confirmation of technique and prototype			Quality Plan	Subject Code Confirmation
			Standard Cost		Standard Cost				Drawing Exam	
			Order Forecasting		New Raw Material Report					
			Design Start In		Start of Design Engineering					
4	***Essay-2***	**-13**	Standard cost and presumed cost	Presume Cost and Standard Cost	Presume cost and standard cost	Confirmation of technique in prototype	HR Plan	Trial production	Policy Confirmation and Quality Goal	Purchase of raw materials
					Prototype evaluation	Prototype evaluation		Show off efficiency	Prototype evaluation	Choice of supplier
					Design Engineering	Production Line Design				
			Start of VA/VE activity	Start of VA/VE activity	Start of VA/VE activity					Start of VA/VE activity
5	**Production Preparation**	**-12**		Cost Analysis	Design Change Report	Production Drawing				Purchase of raw materials
	Design -1				Design Exam	Design Exam		Design Exam	Design Exam	Raw Material Price Evaluation
					Design Engineering	Equipment Specification				New Equipment Order
#	Process Indetification	Month	Sales	Finance Administration	Enginnering Design	Production engineering	Human Resources	Planning and Production Planning	Quality and Inspection	Purchasing and Warehousing
6	**Production Preparation**	**-10**		Cost-to-Cost Goal Evaluation	Engineering Design Activity	Trial production	Line Security Examination	Trial production	Process-FMEA, QCPD and AC-Matrix	Purchase of raw materials
	Practice					Line Evaluation	Training Plan	Line Evaluation	Exman Line	Material price evaluation
						Design Engineering Activity			Line Capacity Exam	Quality development of parts and raw materials
						Line Capacity Exam		Line Capacity Exam		
7	**Production preparation**	**-9**	Cost and Goal Evaluation	Evaluation of Cost and Goal	Design Exam	Design Exam		Design Exhibition	Design Exam	Design and Drawing Exam
	Design -2				Design Change Report	Production Drawing		Production Drawing Exam	Production Drawing Exam	Purchase of machinery
					Parts Changed Report	Purchase of Machinery	Machinery Safety Examination			
					VA/EV Activity					VA/EV Activity

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	Quality Assurance System									Page 2
#	Process Indetification	Month	Sales	Finance Administration	Enginnering Design	Production engineering	Human Resources	Planning and Production Planning	Quality and Inspection	Purchasing and Warehousing
8	**Production Preparation**	-7	Cost Assessment	Cost Confirmation	Trial Evaluation	Trial Evaluation			Trial Evaluation	Supplier Inspection
	Practice				Design Completion In	Machinery and Line Installation	Line Security Examination	Machinery and Line Installation	Confirmation and Cubmision of Process-FMEA, QCPD and AC-Matrix	
						Standard of Work	Start of Group Leader Training		Line Capacity Exam	
									Inspection Standard	Proceedor Capacity
9	**Production Confirmation**	-5	Cost Confirmation	Cost Confirmation	Design Exam	Design Exam		Design Exam	Design Exam	
	Design -1				Design Change Report	Process FMEA		HR, Raw Material and Machinery Plan	Process FMEA	Subject Plan
					Report changed parts in the Design	Production Drawing		Line Capacity Exam		
						Purchase of Machinery				
#	Process Indetification	Month	Sales	Finance Administration	Enginnering Design	Production engineering	Human Resources	Planning and Production Planning	Quality and Inspection	Purchasing and Warehousing
10	**Production Confirmation**	-4	Confirmation of Current Cost to Material Cost	Confirmation of Current Cost to Material Cost	Design Exam		Line Security Examination	Production and evaluation	Online Quality Confirmation	Provider Exam
	Practice						Beginning of worker training	Current Product Completion Plan		Beginning of Subject Provision
						Production Drawing Examination		Production Drawing Examination	Production Drawing Examination	
			Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process	Confirmation of efficiency, quality, safety and cost throughout the process
11	**Final design**	-2		Standard Cost Tracking	Design Exam	Production Drawing Publication, Work Standard	Final Training and Evaluation	Production Drawing Examination	Publication of the inspection standard	Change of purchase (if any) of machinery
										Obsolescence monitoring on matter
										Process-FMEA, QCPD and AC-Matrix
#	Process Indetification	Month	Sales	Finance Administration	Enginnering Design	Production engineering	Human Resources	Planning and Production Planning	Quality and Inspection	Purchasing and Warehousing
12	**Start of production**	-1		Tracking the cost to the finish line		Process Confirmation		Production Control	Quality Tracking & Inspection System	Control of obsolescence of matter
								Obsolescence control		Emmaque Shaping
13	**Start of delivery**	0	Delivery tracking			Start of customer problem patrol			Start of customer problem patrol	Delivery
14	**Confirmation in client**	1	Final report of the quality and cost committee	Final report of the quality and cost committee	Final report of the quality and cost committee	Final report of the quality and cost committee	Final report of the quality and cost committee	Final report of the quality and cost committee	Final report of the quality and cost committee	Final report of the quality and cost committee

- **X-Matrix** Diagram:

  Finally, I would show you an example of X-Matrix Diagram.

  It is next Cross Graph and used for daily quality control. It is not difficult and I would explain it with the pictures.

  This is one example of Cross Graph for Daily Quality Control:

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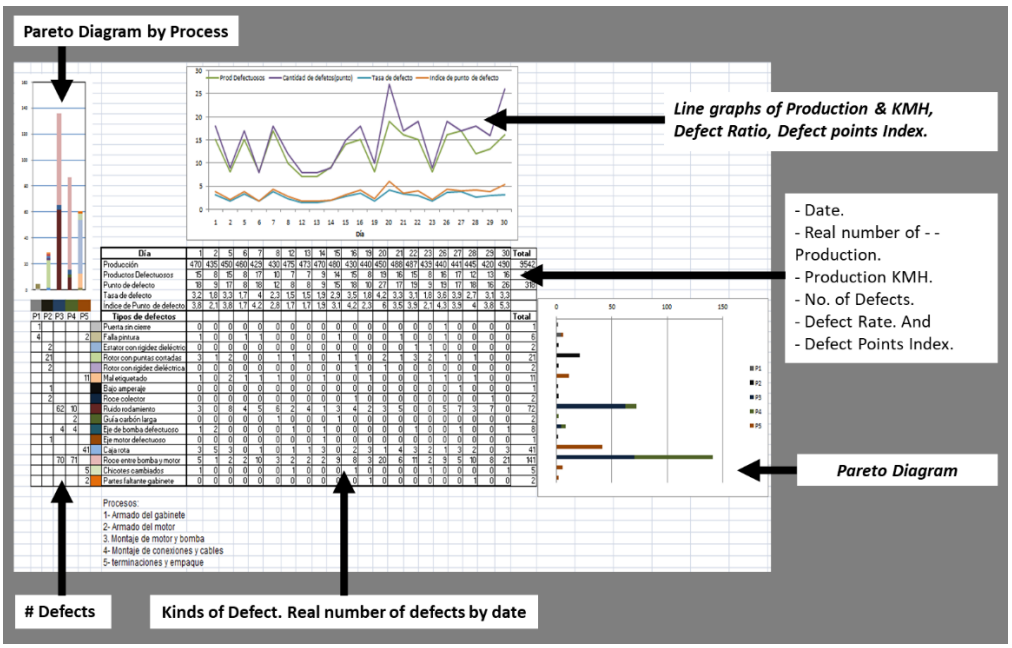
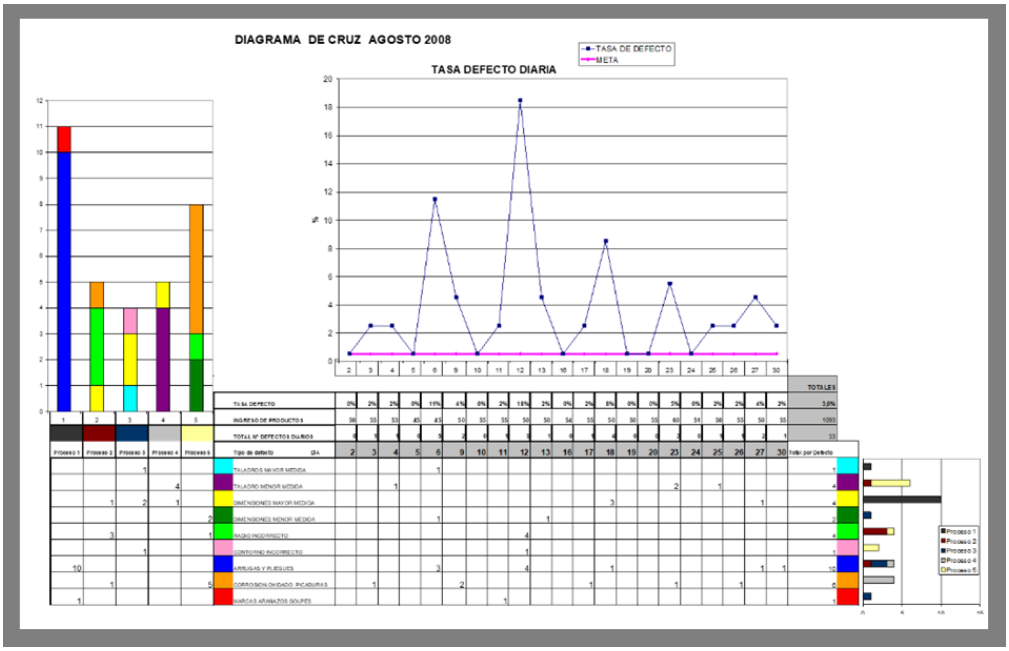


Too much information? Yes, too much. I rather use is as below in normal conditions.



In the first place, the New Seven QC Tools is a method that aims to qualitatively solve quality control problems by organizing linguistic data into diagrams. But it is inconvenient and difficult to use for quality management.

On the other hand, QC 7 Tools, this is the technique for numerically and quantitatively analyzing phenomena for Quality management purposes.

by QC book

It is wrong and telling a lie.

Because, QC 7 Tools has Fishbone Diagram which is not the quantitative data.

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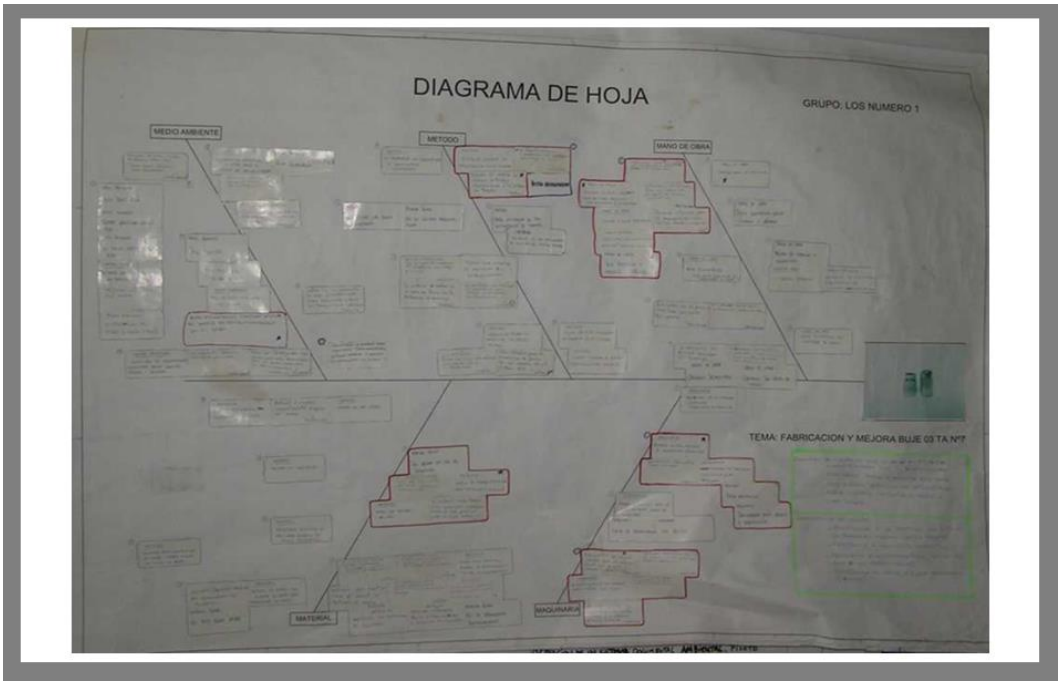

Now, you may understand what I'm telling.

New QC 7 tools. Please devise and modify when you use these. My suggestion to you is that it is not helpful for you if you use these without your device.

Still, couldn't you understand? …For instance, the T-Matrix diagram. Even if you use it, it is almost useless or inconvenient for your purpose or has limited use.

Please devise and modify for your purposes with your creative thinking.

By the way, the New Seven QC Tools were developed in Japan in the 1980s. It is not such an old story for me. I was using or teaching above my examples, including KJ, since the 1970s. I don't say that old things are good, but the principles are unchanging. Please learn the principles. Please devise these for your use.

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III. Jishu-Ken III group exercise: Cost Control[4] [5]

The day began with the Production Section Manager's (**Pm**) intervention, summarizing the previous day's discussion tone between the President (**PD**) and the Accounting Manager or Director (**MD**).

Previous lecture: TQM-9 JISHU-KEN II – Cost Reduction/Control

—Even so, it was the intense battle between Mr. **AD** and Mr. **PD** after a while, wasn't it?

—Didn't you hear about that, **Af**-san? —he asked the accounting staff, who were again invited to the ***Jishu-ken***.

—You were attending to the planning of the Cost Reduction Action plan of the Production department, weren't you? —Mr. **Pm** asked to finally confirm a common point of view.

—Yes, I did —**Af** answered.

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[4] **Cost reduction/control** is a series of lectures about the interpretation of different costs regarding calculating the Profit and Loss statement adequately depending on the activity and policy of the company:

JISHU-KEN II – Cost Reduction – 9: [eng] https://archive.org/details/tqm-9-pfmea/page/n35/mode/2up
JISHU-KEN I – Cost Reduction – 8: [eng] https://archive.org/details/tqm-8-the-arrow-diagram/page/n37/mode/2up Example of ***Jishu-Ken*** sessions of a middle managers working group: The group was studying the break-even point of the operations to reach profits in the short and medium term.
Cost Reduction – 7: [eng] https://archive.org/details/tqm-5-the-kj-method/page/n47/mode/2up
Cost Reduction – 6: [eng] https://archive.org/details/tqm-3-hardware-software-diagnose-cost-reduction-6
Cost Reduction – 5: [eng] https://archive.org/details/tqm-2-introduction-2-cost-reduction-5
Cost Reduction – 4: [eng] https://archive.org/details/tpm-16-oil-control-5/page/8/mode/2up
Cost Reduction – 3: [eng] https://archive.org/details/tpm-15-cost-reduction-3-and-consultancy-job-contnuation
Cost Reduction – 2: [eng] https://archive.org/details/tpm-14-clasification-of-cost-and-oiling
Cost Reduction – 1: [eng] https://archive.org/details/tpm-13-oil-control-3/mode/2up

[5] **Teaching Company** is a series of a real story about the implementation of TPM and TQM in a medium-sized company by ***Sensei*** Kimura. They are deployed throughout TPM-7 to TPM-16, which continues within this TQM series. The beginning of this series is in TPM-7:

- [English]
  - TPM-7 page 31 One Lecture in a Company: https://archive.org/details/TPM7SeisoInJishuHozen/page/n29/mode/2up?view=theater
  - **Previous lecture in TQM-7. Page 33**: https://archive.org/details/tqm-7-7new-qc-tools-and-the-tree-diagram/page/n31/mode/2up
- [Spanish]
  - TPM-7 page 31 Una conferencia en la Empresa: https://archive.org/details/TPM7SeisoEnJishuHozen/page/n29/mode/2up?view=theater
  - **Lectura previa en TQM-7. Page 33:** https://archive.org/details/tqm-7-las-7-nuevas-herramienta-de-caliad-y-el-diagrama-de-arbol/page/32/mode/2up

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—Mr. **Pm** and I were also involved in making up for it —**Mp** confirmed—. So, why did an intense battle happen?

—I heard their argumentation indirectly. And, I believe there are two reasons. Did you listen to the reasons, didn't you? —**Af** asked the participants—. Once again, one uses the departmental unit cost to evaluate the action plan. Another is the missing item of inventory turnover improvement.

—Humm… —**Mp** hesitated out loud—. Why don't we review it and their reason here in our ***Jishu-Ken***?

—Please wait —**Em** requested—, is it related to our primary purpose which is to learn "Entire Optimization and "Management Balance"?

—I'm not sure —**Pm** admitted—, but I think we need to know why Mr. **AD** is so angered. I was also involved in the Annual Cost Reduction Action Plan. Also, ***Sensei*** was grimacing too.

***3rd Jishu-Ken* Cost Improvement series.**
Sm: Sales Section Manager
HR: Human Resources Manager
Em: Engineering Section Manager
Pm: Production Section Planning Mngr.
Mp: Material Section Procurement Manager
Af: Accounting Staff+

AD, MD and HR are also mentioned in this dialogue. However, they did not participate in the present **Jishu-ken** activity.

In fact, I personally don't like the word "cost " Reduction because it brings back a bitter memory passage.

The **Em** intervened: —We attended this Monthly Management Meeting as management team members. The main theme was the Annual Action Plan by each department for Profit Recovery. The first batter was the Production Department —and he continued…

—Why Mr. **AD** angered? I think one is the use of the departmental unit cost. Another is the lack of inventory turnover improvement. And, I believe there is 3rd one: It is the contents and prospect.

—Oh, I thought so —**Hr** agreed— Also, he expressed his unpleasant about the word of Cost Reduction…

The word of Cost Reduction.

*Mr. **AD** spoke in that meeting: —I discussed with Mr. **MD** and Sensei to identify the direction of the annual profit recovery action plan. And one of the promises is to use the word "Cost Improvement" (Kaizen), but not Cost Reduction".*

—Why did Mr. **AD** require us Not Cost Reduction, but Cost Kaizen or Cost Optimization? —**Hr** asked the group?

Sm expressed his doubts: —We used the word Cost Reduction for any cases, didn't we? Therefore, Cost Reduction is very familiar for us, isn't it? So, why Mr. **AD** prohibited this word?

The difference between Cost Reduction and Cost Improvement

To be honest, I don't like this word Cost Reduction.

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Factory Management Institute
COOPERATING TO REACH EXCELLENCE

Cost reduction and cost improvement have different objectives and approaches.

Cost reduction

1. ***Objective:*** *The main objective is to lower current costs as quickly as possible. The aim is to reduce the company's total costs directly. Specifically, it aims to increase profits in the short term by eliminating wasteful expenditures, improving efficiency, and cost-cutting. For example, this includes reducing energy usage, reviewing labour costs, and negotiating the material purchase price.*
   However, it is involved the cases of Cost Cut, even necessary cost.
2. ***Approach:*** *Aims to reduce expenditures and save in the short term.*
3. ***Specific examples:*** *Budget cuts, reviewing materials, shortening work hours, etc.*

Cost improvement

1. ***Objective:*** *The aim is to increase cost efficiency in the long term and generate sustainable profits. Cost improvement (or cost optimization) aims not only to reduce expenses but also to maximize cost-effectiveness. This is an approach that seeks the optimal cost balance while maintaining quality and customer satisfaction. For example, it includes improving long-term competitiveness by reviewing excessive quality and making necessary investments.*
2. ***Approach:*** *Continuously optimize costs by focusing on the efficiency of processes and systems and improving quality.*
3. ***Specific examples:*** *Improving work processes, strengthening staff training, and introducing technology to improve productivity, etc.*

Summary of the differences:

- *Cost reduction focuses on short-term savings and direct cost reduction.*
- *Cost improvement aims to improve efficiency from a long-term perspective, and continuous review of processes is essential.*

Em explained that we had a bitter experience with the price negotiations and cuts imposed by the Procurement Department on the suppliers. Unformal Purchase Price cutting…

—At that time, as a result, several negative influences occurred. (I will describe this story in another column.) Also, the word of Cost Reduction has the nuance of Cost Cutting, even though it is necessary cost.

—Yes —**Pm** agreed—, I remember this. At that time, we were in a cornered situation. But a price negotiation is quite a normal business, isn't it?

—Do you remember the dialogue with Sensei about a tough negotiator? —**Hr** asked.

…A tough negotiator is Toyota. His negotiation is different to other car manufacturers.

Why is Toyota's tough negotiation?

*When price negotiation, Toyota visits the supplier's **Gemba** and helps to find the **Muda** in the process, which is the amin resource for **cost Kaizen**, if necessary. In some cases, he dispatches the experts to the supplier and supports their process Kaizen.*

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On the other hand, other car manufacturers' methods were the same as ours, and they consistently reduced prices (uniformly).

Which is better? Of course, Toyota's way is better, and as a result, Sensei calls him a tough negotiator.

Additionally, he said that if the negotiation is between the same company or a larger one, such a price reduction could be acceptable and would be normal. But it should be called a violent negotiation if it is between a big-scale company and a clearly smaller-scale one.

—Currently, we are doing the violent negotiation with our suppliers and forcing the "Cost Reduction" —**Hr** expressed.

The **Pm** hesitated: —Humm. We should adopt Toyota's behaviour when negotiating prices with suppliers. However, is it realistic? Do we have such capacity in human resources and technical capacities?

—Technical capacities? —**Em** asked—. Yes, we have. However, we need to visit our suppliers more often to build a better relationship, avoid the **cost reduction** requirement, and seek reasonable ***cost kaizen*** negotiations.

—Anyway —**HR** mentioned—. We shouldn't intend **Cost Reduction** but rather **cost kaizen** or ***cost optimization***. Therefore, Mr. **AD** and Sensei were in a bad mood.

Cost Reduction (One episode in Japan)

Long years ago, in the era of Tokai-Densen (predecessor of Sumitomo Wiring Systems), the word " Cost Reduction or Cost Down " was used very naturally in the action plans. I also did not hesitate to use it. Once upon a year, all departments were mandated to cut expenses by 5%. Yes, all departments. No matter how necessary or unnecessary the expenses are. For instance, office supplies and lighting expenses. I think such rough treatment is sometimes required. But we were in trouble, because this requirement was continued for 3 years.

As you understand, the word of Cost Reduction such unsound Cost Cut also involved.

We understood that Cost "Reduction" activity has Profits & Gains and Disadvantages & Losses.

***3rd Jishu-Ken* Cost Improvement series.**
Sm: Sales Section Manager
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Mp: Material Section Procurement Manager
Af: Accounting Staff+

Profits & Gains and Disadvantages & Losses? …Let's look at these.

In the context of Cost Reduction or Cost-down activities, it is essential to consider the balance of "pros and cons." While the benefits and gains are relatively understandable, it is equally important to carefully assess the potential harms (disadvantages) and losses. These aspects can be categorized as follows.

Pros (Benefits)

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1. ***Cost reduction:*** *Operational and manufacturing costs are lowered. (If using this word as Muda reduction.)*
2. ***Efficiency improvement:*** *Work processes and task efficiency are enhanced. (If using this word as Muda reduction.)*
3. ***Increased competitiveness:*** *Price competitiveness in the market is strengthened.*
4. ***Profit growth:*** *Reduced costs improve profit margins.*

Gains (Advantages)

1. ***Financial stability:*** *Cost reductions free up funds for other investments.*
2. *Improved employee and customer satisfaction: Proper cost-cutting indirectly contributes to better products and services.*
3. ***Reduced environmental impact:*** *Sustainability can be improved in some cases.*

Harms (Disadvantages)

1. ***Increased workload for employees:*** *Resource cuts may lead to overwork for staff. There have been cases of Suppliers' benefits being reduced.*
2. ***Decline in quality:*** *Cutting materials or processes to save costs can compromise the quality of products or services.*
3. ***Decreased employee morale:*** *Layoffs or reduced benefits may lower morale and productivity.*
4. ***Reduced customer satisfaction:*** *A drop in service quality may lead to lower satisfaction and harm long-term customer relationships.*

Losses (Risks)

1. ***Decline in brand value:*** *Lower quality or poor service can damage customer satisfaction and the company's image.*
2. ***Loss of knowledge and skills:*** *Outsourcing or layoffs may erode internal expertise.*
3. ***Hindered long-term growth:*** *Focusing excessively on short-term cost reductions may lead to decreased investment in R&D or new ventures, stifling long-term growth and missing opportunities for innovation.*
4. ***Reduced competitiveness:*** *Excessive cost-cutting may undermine competitiveness and jeopardize the company's market position.*

Anyway, the Balance is essential.

The key to successful cost reduction activities is maximizing the benefits and gains while minimizing the harms and losses as naturally as possible. Incorporating feedback from the Gemba and understanding the realities of operations are essential for sound decision-making.

Japan Sinks

In the meantime, this note may seem like my grumble. And if you like, please ignore it.

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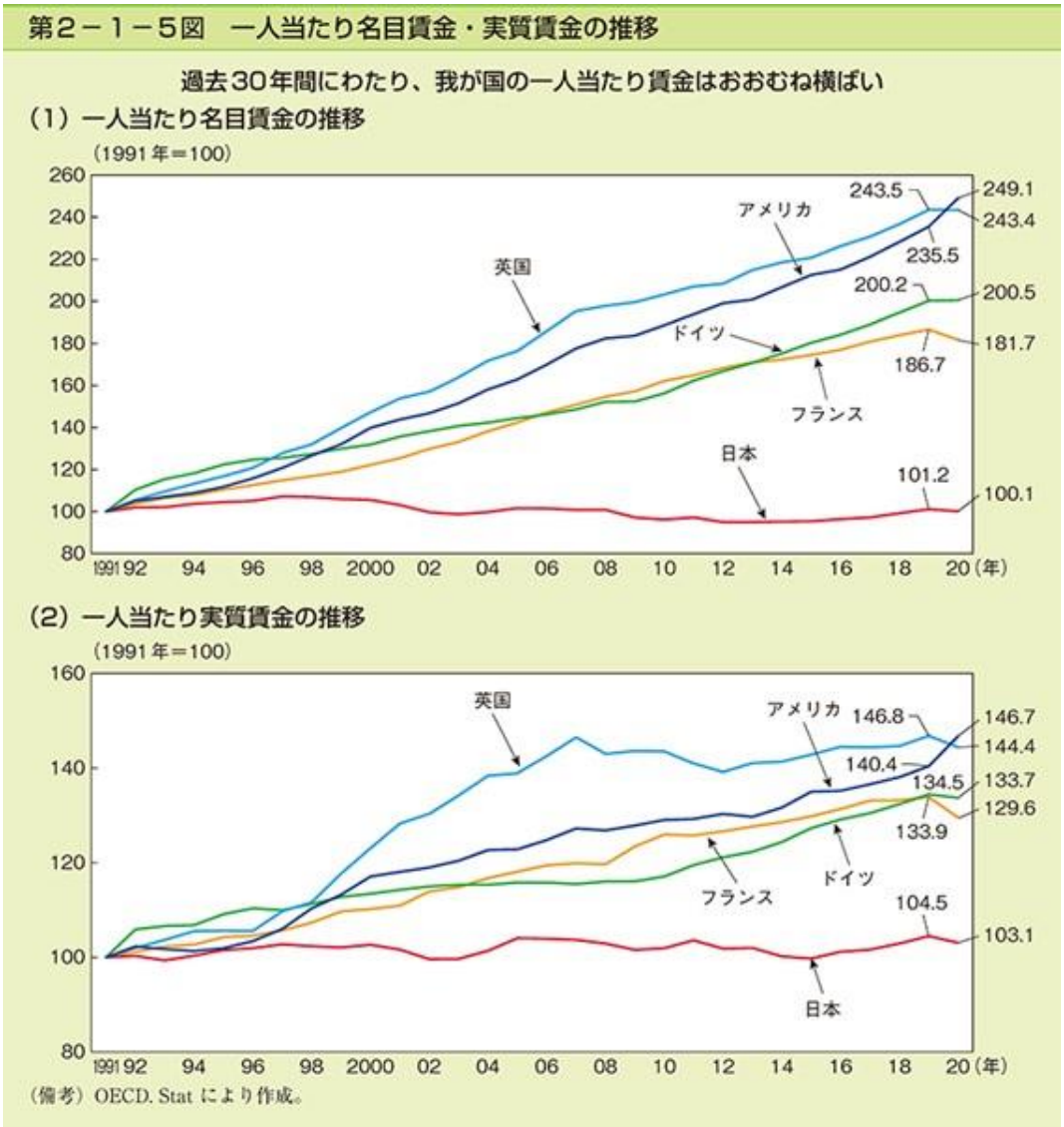
Long years ago, there was a movie with such a title. The story is about the sinking Japanese Archipelago due to a massive earthquake. But my writing at the moment is sinking Japan due to poor politics.

Politics? In the story of Cost Reduction, why is the story of politics? …Sorry. I don't want to write a political issue as my policy. But I was inspired to write it, but just once time.

Trend of Japanese wages

Please look at the following graphs. These show the Nominal Wages and Real Wages.



By Japanese Cabinet Office

Nominal Wages: *The actual amount of money received.*

> ***Definition:*** *The gross amount of money a worker receives. It does not account for inflation or changes in the cost of living.*

Real Wages: *The actual amount of money received.*

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> ***Definition:*** *The nominal wage adjusted for inflation. It reflects the actual purchasing power of the money you receive.*

Real wages are a crucial indicator for understanding workers' true standard of living and economic well-being.

It is a very sad and sorry result. Japan is a quite rare country in the world where salaries have not improved for so long.

Why? Why did Japan become such a sad and sorry nation? …Very simple. Forgetting and abandoning Kaizen by companies. Enterprises were and are choosing easy cost reduction rather than innovation and improvement to earn profit. Thus, one of the notable causes is the increase in non-regular employment.

The increase in non-regular employment is one major factor behind the flat growth in wages in Japan. Non-regular employees have lower wages and fewer opportunities for education and training than regular employees, which means that labour productivity tends to decline. Companies also tend to increase non-regular employment to cut labour costs, resulting in a decline in the average wage. These factors combine to create a situation where wages in Japan are difficult to increase.

Let's look at another number: the percentage of non-regular employment. It is finally reaching 40%. Non-regular employment is very convenient for three reasons.

- *One is lower wages than regular employment.*
- *Secondly, it is almost fixed-term employees.*
- *3rd is (in effect) one side, Termination of employment contract by the company.*

The wage of non-regular employment is about 60~70% of that of regular employment.

Non-regular employment. Is it good thing for the meaning of Free of working style (Liberalization of work styles)?

There is a good side. But on the other hand, non-regular employment workers cannot gain sufficient money for (for instance) marriage. The problem of increasing non-regular employment affects the marriage of the young generation.

AN ACTUAL CASE

I want to expose one actual episode. It is about a non-regular employment and a fixed-term employment person.

She had been working in the same company for almost three years. But suddenly, she got fired (termination of employment contract). In Japan, an employment law was made, which states that an enterprise must hire a person who has been working in the same enterprise for more than three years as a regular employee.

She was fired after 2 years, 11 months, and 30 days. It is not illegal, but it is very sad.

This enterprise? …Of course, he hired other fixed-term employees who have cheaper wages than hiring a regular employee.

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Unfortunately, Japan abandoned the Kaizen mindset and chose an easier way to reduce costs.

The rate of non-regular employment.

According to my USA friends, the workers market in the USA has also changed, and non-regular employment has increased since the COVID-19 pandemic. There has been a noticeable shift away from traditional employment forms, with a shift towards remote work and side jobs.

Nevertheless, so far, the rate is 30~35%.

It is possible to say that the Japanese situation of non-regular employment at more than 40% is higher, and this tendency is continuing.

I never deny the workers' market flexibility. But it is a fact that the wages of non-regular employment are cheaper than regular employment. Additionally, non-regular employment is uncertain and unstable.

Abenomics.

By the way, an unfortunate event attacked the poor citizens. It is so-called Abenomics.

This was the economic policy promoted by the Prime Minister at the time. And, let me briefly explain the framework of this economic policy. The keywords are Trickle down, Kuroda Bazooka and 600 trillion yen.

What is Abenomics? …It is an economic policy announced by Japan's second Abe Shinzo cabinet in 2013. The policy is based on three pillars:

- *Bold monetary policy: The Bank of Japan will aggressively ease monetary policy to achieve its price stability target.*
- *Flexible fiscal policy: The government will aggressively implement fiscal spending to stimulate economic recovery.*
- *Growth strategy: Implement policies to promote economic growth in Japan through structural reforms.*

The policy aims to grow the Japanese economy and increase inflation.

Bold monetary policy

It was the so-called Kuroda Bazooka by Kuroda, who was the Governor of the Bank of Japan, and teamed up with Abe.

Kuroda Bazooka refers to the large-scale monetary easing policy introduced by (Bank of Japan Governor Haruhiko Kuroda in April 2013.)

Implementation: *The first policy announcement introduced "quantitative and qualitative monetary easing," and a large amount of government bonds and exchange-traded funds (ETFs) were purchased. This supplied a large amount of funds to the market and lowered interest rates.*

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As you see in the graph above, in recent years, there has been no increase in nominal wages. This Intentional depreciation of the yen has caused a Ruthless rise in prices.

Japan relies on imports for almost all its energy and food. For instance, foods. Japan's food self-sufficiency rate is about 38%, the lowest among developed countries. In 1965, the self-sufficiency rate was over 70%, but it has recently fallen to around 40%. Apart from food-exporting countries such as Canada and the United States,

France, Germany, and the United Kingdom also have much higher rates than Japan, at 125%, 86%, and 65%, respectively.

Furthermore, Japan's energy self-sufficiency rate is 12.6% (2024). Of course, it is included the gasoline for vehicles and kerosene for life.

Japan is becoming poorer day by day.

Let's take a look at the lives of ordinary people: In recent years, the Japanese economy has been severely affected by the extreme depreciation of the yen, which has caused significant difficulties in the lives of ordinary people in particular. In July 2024, the yen reached a level of 157 yen to the dollar, depreciating by about 50 yen from 106.26 yen in August 2019. This rapid depreciation of the yen has caused the price of imported goods to rise, especially the cost of daily necessities such as energy and food.

For example, in 2023, gasoline prices rose by about 30% compared to the same month last year, and electricity prices rose similarly. As of November 2024, the inflation rate has reached about 4% compared to the previous year, with the price rises of food and energy-related products being particularly noticeable.

Rising food prices.

Let's look at the rise in the Engel coefficient.

Japan's Engel coefficient (an indicator that shows the proportion of food expenses in household consumption expenditures) reached 26% in 2022. Moreover, data for July to September 2023 show that it reached 28.7%, the worst among other G7 countries and the highest level since 1982. By comparison, Germany's figure is around 19%.

This increase is said to be due to a sharp rise in food prices. I know that "sharp rise in food prices" has other causes, such as rising fuel and resource prices caused by the Russia-Ukraine situation, rising grain prices, labour shortages, and supply chain disruptions. However, the most significant cause is still the cheaper yen.

The politicians and the Bank of Japan intentionally attempted to induce a weaker yen. Of course, the price hike of imported materials affected suppliers to enterprises as well.

Abenomics. Is it successful politics or stupid politics?

According to an economist, there are 2 sides (the good side and the bad side).

However, when saying good or bad, it is different depending on the standing position of getting the influence.

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600 trillion yen and the stock price rises.

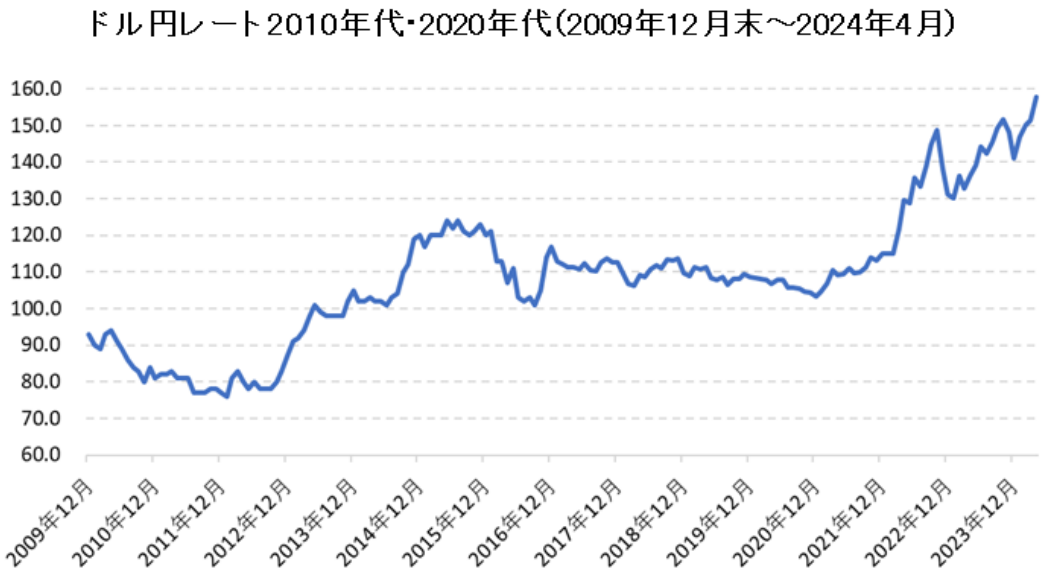
But, what is 600 trillion yen? …It is retained earnings by big enterprises.

600 trillion yen! …It is about US$4.14 trillion (at this time).

When looking at other countries, the British GDP is US$3.59 trillion, more than Germany's, which is US$4.71 trillion.

600 trillion yen. So, big enterprises' retained earnings aren't used for future investment or worker salary increases but just for sleeping. Furthermore, these huge retained earnings disturb the economic cycle.

Toyota gains 50 billion yen (3.33 billion USD; 150 yen/USD) by 1 yen per year deterioration.



The GDP of 2023 was 559 trillion yen ($4.0 trillion; 140 yen/$).

More than one year's GDP remains in big enterprises as retained earnings. I understand that retained earnings are not bad for enterprise stability. Typically, it was 100 200 trillion yen. But as a result of the burst money supply by politicians and the Bank of Japan, it increased up to 600 trillion yen. It must be said that it is excessive and outrageous. Outrages? Because it is built on the sacrifice of ordinary people and small companies (suppliers).

If Japan is a common nation, such excessively weak yens are well controlled by the Bank of Japan. I know one cause of weak yen is the rise in the dollar interest rate by the FRB. However, Japanese politics and the Bank of Japan are still intentionally attempting to induce a weaker yen in "Fear of an economic downturn."

The Bank of Japan has another reason not to raise its interest rate. It has a huge amount of government bonds. Thus, the Bank of Japan buys government bonds to keep the money supply.

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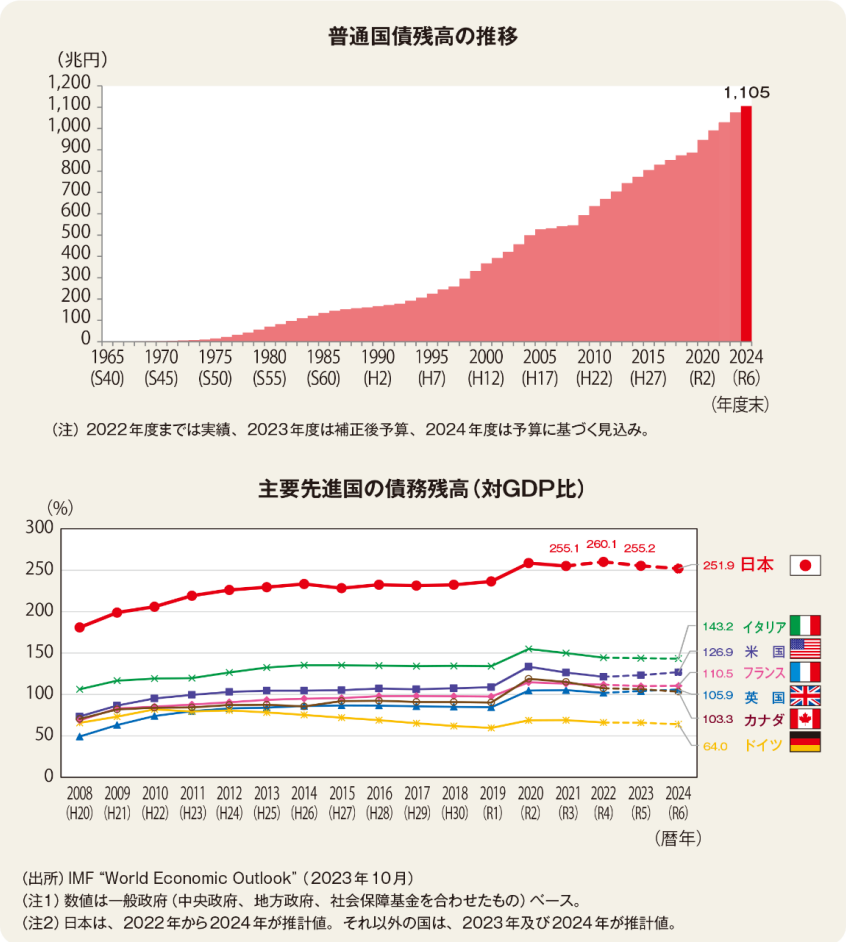
The graph above and the graph below show Trends in the balance of ordinary Government Bonds and the Debt balance of major developed countries (as a percentage of GDP)



1,105 trillion yen ($7.4 trillion; 150 yen/USD)

As you can see, it is the government bond issue amount (2024). The Bank of Japan is purchasing JGBs to maintain the current money supply. These purchases are unique in that they are large in scale and impact compared to other countries.

Japan's debt balance is more than twice its GDP, the highest among major developed countries. Japan is distorted.

<u>Trickle Down</u>

Initially, Abenomics assumed the so-called Trickle Down, where wealth would trickle down from earned enterprises to small companies and ordinary people. Unfortunately, this thought of Trickle Down completely didn't work. As above, Japanese enterprises forgot Kaizen. Additionally, they could earn a profit with no self-effort by using the cheap yen. It is possible to earn a profit with nothing.

According to my Toyota friend, Toyota can earn 50 billion yen/ year by using 1 yen of exchange rate. Furthermore, he used the exchange rate of 110 yen/dollar when making the annual profit plan.

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2024 Oct., an economic column of a newspaper highlighted the enterprise's highest profit.

On the other hand, suppliers and small companies have been in pain because of rising prices of imported goods and materials. Of course, they appealed the rising prices of imported materials and negotiated (and are negotiating) the price up. However, Enterprises didn't (don't) respond to the legitimate price negotiation with the mindset of Cost reduction. On the contrary, some enterprises push suppliers to lower prices with the aim of Cost reduction.

One day, the newspaper's economic column highlighted a news item: Nissan's violent (one-sided) price cut to suppliers. Then, the Japan Fair Trade Commission conducted On-site inspections of enterprises because they refused to raise their selling prices due to the imported material price hike.

Keidanren (Japan Business Federation)

*The government could no longer tolerate this situation, so they discussed the matter with **Keidanren** in an attempt to resolve the issue.*

***Keidanren** (Japan Business Federation)? …Many of Japan's major companies are members of **Keidanren**, and these companies are likely responsible for the majority of Corporate and organizational donations, including party ticket purchases for political parties and politicians.*

*And he is the biggest sponsor of **Uragane**: (**Ura**; Behind, Slush. **Gane**; Money)*

> *Slush money. "Funds collected or used through tax evasion or other illegal activities. Includes all funds concealed for illegal purposes."*
>
> *The discovery of this issue led to the LDP's big defeat. The issue of **Uragane** became the symbol of the conspired LDP and enterprises of **Keidanren**.*

In recent years, the economic section of newspapers has often reported news of record-breaking corporate performance (high stock prices and high profits). From the perspective of big companies, this is a positive point. On the other hand, this policy cannot be praised at all from the perspective of ordinary people suffering.

Shifting the topic to avoid discussing the real issue.

Now, in politics, there is a hot discussion about a proposal submitted by a political party. It is the so-called 1.03-million-yen wall.

Japan has a tax threshold called the "1.03-million-yen wall." For instance, If a part-time worker earns more than 1.03 million yen per year, they may lose certain tax benefits, and their family might have to pay higher taxes. Many part-time workers try to stay under this limit to avoid extra taxes.

The catch copy of this party for the election battle was "Increase income by removing 1.03-million-yen wall".

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It is good because of the increase in worker capacity. And this policy was welcomed by enterprises.

However, the topic is shifting to avoid discussing the real issue. If we say, "Increase income," it should be done first by a sound and fair trickle-down and sound money cycle. 600 trillion yen retained earnings.

New prime minister Shigeru Ishiba once claimed to resolve this issue of 600 trillion retained earnings. But it was finished in just one speech. And, so far, there has been nothing.

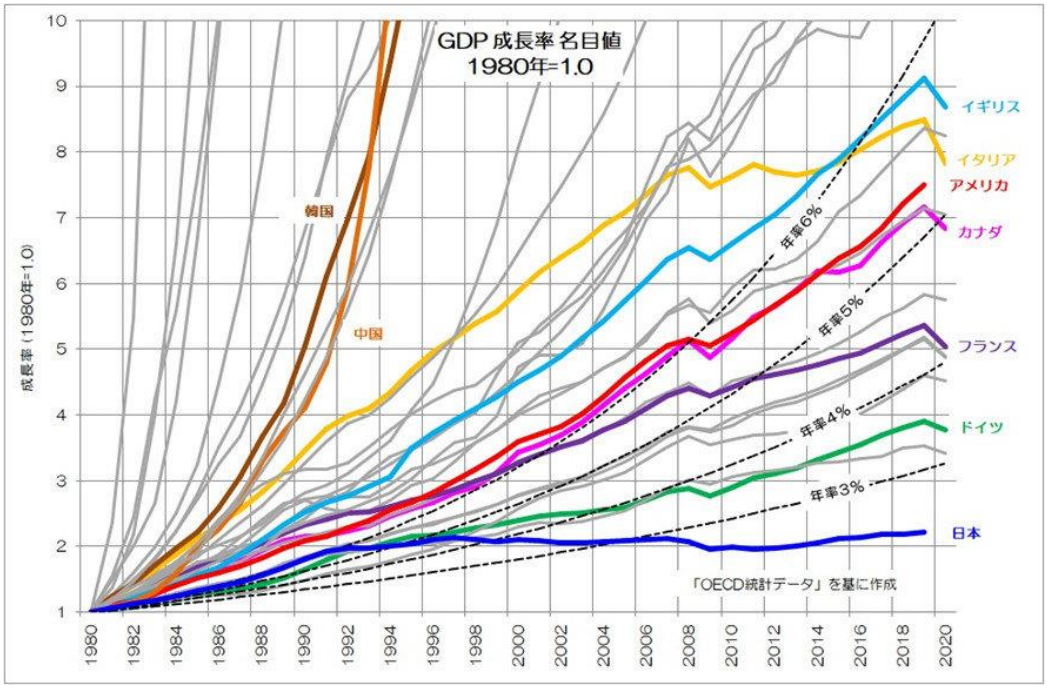
I guess he and his party also are doing politics in looking at the face of Keidanren.

Once again. ***Keidanren*** *is Japan's leading economic organization, with approximately 1,558 large member companies. The organization has built close ties with the government and exerts influence through its recommendations and opinions on economic policy. In particular, it has a strong relationship with the Liberal Democratic Party, and Keidanren's opinions can significantly impact policy decisions in national politics. And as a result, the interests of the general public are put on the back burner.*

In the beginning of this note, I wrote the trend of Nominal and Real Wages and said.

Japan is a quite rare country in the world who there is no improvement in salary so long years.

And I show another sad result. One of the indices for looking at the wealth of a country is GDP. The next graph is the trend of GDP nominal growth rate (1980 year = 1.0)



(I'm not an economist or political scientist. Therefore, my look may have some bias. But I look at just facts and write this.)

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Why has Japan ended up like this? I would like to point out three reasons. One is the corporate culture that has forgotten Kaizen and Innovation and instead pursued the easier route of Cost Reduction. One is the politics that have colluded with such companies (Keidanren).

Sorry and sadly, Japan is sinking.

By the way… Shinzo Abe, the ringleader of Abenomics, left the position of Prime Minister due to his political scandal. His reason for leaving was explained as his disease. But the true cause is the political scandal, the so-called "Mori, Kake, Sakura" and the issue of connection with a Religious organization (cult).

And he was murdered.

It is not the political terror, but a murder out of hatred. He was an advertising sign for this cult group and was getting its support. (At least, he was looked as above.)

A young person who is a victim of this cult killed him with a homemade gun.

And this cult issue is still affecting the LDP.

Japanese politics is indeed distorted.

I write the 3rd cause of a significant barrier to Trickle Down. And it is Mass Communication.

Do you know there are three Fools in the world of politics? One is us (ordinary people), one is a Politician, and another is Mass Communication (Mass-Comm, such as TV, Newspaper, etc.).

Naturally, we are fools. But the right way can be found by our strength in numbers. Politicians are fools. However, the right way can be chosen by the political balance of political parties. The trouble is Mass-Comm. Long years ago, he brainwashed familiar people into the war with the cabinet of the time.

He doesn't lie but tells a biased truth. (Sometimes, he lies and fakes, but…)

Currently, Japanese mass media have stopped discussing the issues of trickle-down and 600 trillion yen. The national News mainly concerns correcting political corruption and the 1.03 million yen wall, which are important.

But some problems shouldn't be forgotten for people's lives and fairness.

Why has Japan been sick (as above)? The most significant cause of people's lives and fairness is not working with the theory of Trickle Down. Why? …One problem is poor Mass Communication. Mass-Comm (Mass Communication) became one of the variety shows, and it forgot to transfer its essence.

When Abenomics, Trickle down, trickle down, etc., and 600 trillion yen. But now no mass-Comm speaks these. Politics? Of course not. Politics has the pressure of Keidanren.

Mass-Comm doesn't tell us important information or tell us biased information.

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Actual situation

In 2024, there was good news, which was the salary base.

In the 2024 spring labour offensive, the Japanese Trade Union Confederation (RENGO) has set its wage increase demand at "5% or more, including regular salary increases," in the face of rising prices and the cost of living. This is the highest demand in the past few decades.

In fact, the average overall wage increase rate in the 2024 spring labour offensive was 5.24%, the highest level in 33 years. This was indeed good news.

But… Many small and medium-sized enterprises are raising wages amid a challenging financial situation, and in many cases, they are responding by making sacrifices.

Some companies are making efforts to improve profits through digitalization and streamlining operations, but they do not have the same leeway as large companies overall.

As above, nominal wages rose. How about Real wages? Unfortunately, overall, real wage growth in fiscal 2024 is likely to stagnate due to rising import prices. Despite increases in nominal wages, the cheap yen is likely to squeeze real purchasing power, resulting in tough conditions for households.

(Sigh, poor politics, poor mass media. Japan is sinking by cheap yen.)

Going back to the central theme…

The **Sm** focused on direct cost, which uses departmental unit cost to evaluate cost optimization:
—Departmental unit cost includes indirect costs such as General and Administrative Expenses allocated. The production department shouldn't use departmental unit cost for the calculation because these are not controllable by him.

—Therefore, it is impossible to evaluate the action plan's effect correctly.

Departmental unit cost.

Because "general and administrative expenses, etc." are allocated to the department unit cost, it includes not only the actual work costs (direct costs) of the manufacturing department, but also indirect costs.

If you want to see the actual effect of work improvement?
…Calculating based on direct costs (wages, material costs, etc.) is more appropriate.

And if you want to see the impact on the overall profit plan?

There is no problem with calculating using department unit costs (including general administrative costs, etc.).

***3rd Jishu-Ken* Cost Improvement series.**
Sm: Sales Section Manager
HR: Human Resources Manager
Em: Engineering Section Manager
Pm: Production Section Planning Mngr.
Mp: Material Section Procurement Manager
Af: Accounting Staff+

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However, it is important to note that the figures will fluctuate depending on the indirect cost allocation method.

1. *Factory overhead (manufacturing overhead)*
2. *General and administrative expenses (head office and indirect department expenses)*
3. *Logistics and warehouse expenses*
4. *Other indirect costs*

1. Factory overhead (manufacturing overhead)

Incurred at the manufacturing site, and can be partially managed at the factory level.

- *Manufacturing management costs: Salaries and allowances for manufacturing department managers (not possible).*
- *Factory utility costs: Electricity, gas, and water bills.*
- *Equipment depreciation: Depreciation costs for machinery and equipment.*
- *Repair costs: Maintenance and repair costs for factory equipment and machinery.*
- *Consumables costs: These include tools, protective equipment, and cleaning equipment.*
- *Factory insurance premiums: Insurance premiums for factory equipment and products (not possible).*
- *Factory rent: Rent for factory buildings and land (not possible).*
- *Indirect labor costs: Wages for workers not directly involved in production, such as forklift drivers and warehouse workers (not possible).*

2. General and administrative expenses (head office and indirect department expenses)

These are expenses incurred in indirect departments other than the manufacturing site. These may be allocated to each department or product.

- *Executive compensation and personnel expenses for the administrative department: Salaries for departments such as accounting, general affairs, human resources, and sales management.*
- *Utility expenses for the headquarters and office maintenance expenses: Electricity, communication, and office rent.*
- *Meeting and entertainment expenses: Expenses for the administrative department and sales activities.*
- *Research and development expenses: Expenses related to the development of new products and new technologies.*
- *Advertising expenses: Expenses related to PR activities for companies and products.*
- *Depreciation expenses (indirect department facilities and office equipment): Depreciation for computers and office equipment, etc.*

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- *Welfare expenses: Welfare expenses for employee cafeterias, health checkups, and resorts.*
- *Taxes and insurance premiums: Fixed asset taxes and insurance premiums.*

3. Logistics and warehouse expenses

These are indirect expenses related to moving and storing products and materials.

- *Transportation costs: Costs for transporting products and raw materials in and out of the factory*
- *Warehouse management costs: Inventory management, warehouse rent, and labor costs*
- *Logistics management costs: Transportation planning and inventory management system operating costs*

4. Other indirect costs

Other costs may be allocated as costs related to departments or the entire company.

- *Education and training costs: Costs for employee skill development and training*
- *Safety measures costs: Costs for safety management and preventing workplace accidents*
- *Quality control costs: Costs related to quality inspections and handling defective products*
- *IT system costs: ERP system and network maintenance costs*

Allocation points

Indirect costs are unrelated to work and are allocated to departments and products according to allocation criteria.

In many cases, the criteria are work hours or labor costs, but indirect costs are fixed costs, so they may not be linked to improvements in work efficiency.

Conclusion

Allocated indirect costs include a wide range of costs, including factory overhead, general administrative costs, and logistics costs.

When evaluating cost reductions and profit plans, it is essential to clarify the breakdown of indirect costs and allocation criteria to assess the impact of improvement activities accurately.

***3rd Jishu-Ken* Cost Improvement series.**
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The **Sm** continued: —Therefore, Mr. **AD** required the production department not to use it (departmental unit cost) in the annual plan. Also, he required us to use the word of Cost Improvement or Cost Optimization and if we wish to use the word of reduction, to use the word of Muda Reduction…

—But he is being too sensitive to the word of Cost Reduction, isn't he? —**Sm** asked the group.

The **Hr** tried to give feedback on the action plan: —When the annual action plan presentation started, and Mr. **PD** began his presentation, the Sensei tried to leave after looking at his action plan at a glance. And Mr. **MD** asked him to stay with us. And Sensei Kimura spoke as follows:

> —Mr. MD. Please understand the contract. Our consulting contract is TQM and not anymore. Also, also. I don't want to waste your money (which means wasting my time) on such a stupid meeting.
>
> **Annual Action Plan**
>
> —Wait a minute, Sensei —MD broken—. I understand the contract, but please stay with us and give us your suggestion.
>
> —Suggestion? —I mentioned with a poker face—Do you wish my suggestion about this annual action plan? OK. Mr. **MD**. I never make suggestions about the action items, because I shouldn't do it. But I make just one suggestion if you like…
>
> —Everyone, please make an action plan, but it is never a "wish list". Look at this annual action plan of Mr. **PD**. It is a typical "Wish List", but not an annual action plan.
>
> —Wait a minute, Mr. Kimura, this is our action plan. Why do you criticize it? — **PD** requested upset.
>
> In my heart. I finally promoted from Kimura to Mr. Kimura. Well, he continued with his speech when the **MD** blocked it by raising his hand: —It is an essential thing. Sensei, why do you say so?
>
> —OK —I admitted—. Everyone. Mr. **PD** gave us an excellent (bad) example with his "Wish List." …
>
> …For instance, one action item JIT (Just In Time) production. As you know, the consulting contract of this time is the 2nd time. And at the first contract and when we visited this company, you and I have seen the same or similar annual action plan by the Production department. And at that time also there was the item of JIT production introduction. And I commented that this is not the action plan but a wish list. Not only Production department, but also all departments' managers evaluated their number of achievement items by percentage. And spoke. For instance, 80% of the action items against the total items were implemented.
>
> Please understand, everyone. Planned action items must be implemented. However, if you reduce the number of action items in anticipation of not achieving all items and lose the challenge spirit, you will lose your position on the management team.
>
> 1) Challenge

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The production department's action plan has an excellent challenge item, which is JIT production introduction. However, there are two things. I saw it long ago, but the progress was nada. I have seen other action items such as SMED, Efficiency improvement, Scrap reduction, Quality Improvement, etc., as regular action items. It is good, and we always need to challenge them. But these ordinary items shouldn't be called challenge items.

And these items are the theme of "Daily Control" by Gemba. For instance, SMED (Single Minutes Exchange Die; Shortening set up time), the action items include Training, Pre-preparation, etc. Yes, such items are always in your action items of SMED. However, these are the matters or level of Gemba-Kaizen and not suitable for the main theme of "Departmental" Annual Action Plan. For instance, if you challenge the SMED by the introduction of Edge Computing, it may be able to be called the Departmental Challenge.

(At this era, there was no technique of Edge AI.)

Once again everyone, a Gemba Kaizen foundation theme should be given to the Gemba. Of course, these Gemba Kaizen foundation items can be incorporated into the annual plan. But these are never the main topics as the Departmental Annual Action Plan.

Annual Profit Plan and Cost Reduction Plan

In the first place, for instance, the action plan of the production department is the Cost-Reduction Plan or Process Improvement Plan. Which? …He explained it as a cost-reduction plan. But the contents such JIT Introduction or SMED etc. these seems to be a Process Improvement Plan. And, the part of the Profit Plan is very uncertain. Even though there is no total profit target. If it is just a Process Improvement Plan for the production department, it is missing the perspective of Environmental Management. How about the perspective of Work-Life Balance? …It is ridiculous to miss such perspectives in a corporate annual plan. I think that if you call it a Process Improvement Plan, there are such faults. Of course, it is a base funding of Profit Plan, Cost reduction Plan, whatever your calling is.

If it is Cost Reduction, Profit Recovery, or Profit Plan, it lacks the perspective of the next.

At this time, and after my speech, all managers were clearly upset. And Mr. PD interrupted me with an angry voice. And just as he was about to say something, Mr. MD interrupted him and asked Mr. AD: —Mr. AD, How about the progress of the annual Budget Plan?

—I could get some departments' annual Cost Reduction Plan submittals. And I'm starting to make the total annual Budget Plan —Mr. AD mentioned.

—Including Production Department? —Mr. Md persisted.

Mr. AD agreed: Yes, I could get some departments to submit the annual Cost Reduction Plan. And I'm starting to make the total yearly Budget Plan.

—OK. Mr. AD. —Mr. MD held back, saying: —Please stop the work of budgeting temporarily. And please make a discussion

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with all departments, including the Production Department, about the Cost Reduction, no Cost Improvement action plan, and what the Profit Plan is.

Please understand that in medium—to large-sized manufacturing companies, the factory department typically creates both profit plans and rationalization plans. These plans approach different aspects but aim to ensure the efficient operation of the business and maintain its competitiveness.

The following is the explanation given in another joint meeting by the Accounting Director (Mr. AD) and other department managers. I describe it here now:

Mr. AD led the Meeting:

—Everyone —Mr. AD requested—. Easy, I will explain the Profit Plan and Cost Improvement Plan once again:

—Profit Plan (Setting Profit Targets):

—A profit plan sets financial goals such as sales, costs, and profit margins.

—Profit targets are achieved in the factory department through improvements in productivity, cost management, and utilization.

—The plan includes specific elements such as sales forecasts, cost reduction targets, and efficiency goals.

—For example, improving production line utilization, labour efficiency, quality, negotiating raw material prices, reducing Muda of raw material, increasing production capacity, and making investments in factory equipment may be included.

—And please don't forget to address the items on environmental **management** and **employee engagement improvement** as a responsible enterprise.

—Thus, the essential thing is to plan the profit target —Mr. **AD** detailed.

—Rationalization Plan (Efficiency Improvement and Cost Reduction):

—The rationalization plan focuses on improving manufacturing processes and reducing costs.

—The plan may include upgrading equipment, revising work procedures, establishing standard operations, and utilizing IT systems to enhance productivity.

—For example, key objectives include process improvements, automation, eliminating waste, shortening lead times, and stabilizing quality.

—Both plans are interconnected; achieving the profit plan requires a successful rationalization plan. The factory department is expected first to implement rationalization efforts to reduce costs and then reflect these results in the profit plan. In

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this way, both the **Profit** and **Rationalization Plans** are critical elements for continuous improvement and growth in manufacturing businesses.

—Cost Reduction Plans (Rationalization plans) and Profit Plans are often formulated together in the management of manufacturing companies. This is because rationalization aims to reduce costs and improve productivity, which in turn increases profits. For example, efficient capital investment and process improvements are made to reduce manufacturing costs, and the effects are reflected in the Profit Plan.

—Also, if the rationalization plan is successful, achieving the profit plan becomes more realistic, and conversely, the profit plan's goals may determine the direction of rationalization. Therefore, it is common to write "Cost Reduction Plan" and "Profit Plan" together in one material. The two are interrelated and are considered together in order to aim for the strategic success of the company.

—Therefore, at our company, we create these as an integrated plan, and formulate and execute them together as part of a "management plan" or "strategic plan."

—Mr. **PD**. When making your Cost Reduction & Profit Plan, please consider the following items in your mind. A Cost Reduction Plan should have the following considerations and contents, which are next.

1. Setting target profits.
2. Estimating fixed and variable costs.
3. Understanding marginal profit ratios.
4. Setting sales targets.
5. Linking with production plans.

	P/L Statement		
	Subjects	Remarks	Note
1	Sales amount & Sales KMH(Kilo Standard Hours)		Actual amount & sales products x Standard H/P
2	Planned Labour Cost		Σ Product Sold x SH x Standard Unit Labour Cost
3	Planned Material Cost		Σ Material Used in Sold x Planned Material (Standard) Cost
4	**Planned Marginal Profit**	4=1-(2+3)	Marginal Profit=Sales amount-Variable cost
5	Actual Labour cost		Actual working hours x Planned unit cost ÷ Achieved Efficiency
6	Planned Labour Cost		Same to 2.
7	**Labour Cost Modification**	7=5-2	
	(Labour Efficiency. Planned & Actual%. Repair Cost		
	Quality Defect Ratio, Actual & Plan of Production KMH)		
8	Actual Material Cost		Actual result of material cost.
9	Planned Material Cost		Same to 3.
10	Loss on disposal of waste		the part of material cost. Actual material scrap loss.
	(Loss rate. Planned & Actual %)		
11	**Material Cost Modification**	11=8-3	
12	**Direct Cost Modification Total**	12=7+11	
13	Outsourcing Cost		Treated as Direct Cost and Variable Cost
	(Outsourcing, Planned & Actual KMH)		
14	**Actual Marginal Profit**	14=4-12-13	
15	Direct Expenses		Other than Outsourcing (Metal mold, Tools, etc.)
16	Factory (Manufacturing) Overhead		Indirect Material, Indirect Labour and other Indirect
			Expenses (Machine & Equipment Depreciation)
17	**Gross Profit**	17=14-(15+16)	
18	Selling Expenses		Sales commission, sales promotion cost
			(advertising cost)
19	General and administrative expense		Personnel costs (salaries, bonuses, various
			allowances) for indirect departments, costs for
			operating the office of indirect departments etc.)
20	**Operating Profit**	20=17-(18+19)	
21	Non-Operating Income		
22	Non-Operating expense		
23	**Ordinary Profit**	23=20+21-22	
24	Extraordinary Income or Loss		
25	Tax		
26	**Net Profit**	26=23-24-25	

—Of course, it is related to the company's Annual Profit Plan and your P/L Statement.

—By the way —Mr. **AD** tried to finish—, there is a suggestion to other departments, including my Accounting department, from the Sensei. It is the improvement plan for indirect staffs. He told me that I wondered why we were not making countermeasures to address the basic problem of indirect workers' low performance.

—Indirect workers' low performance!? —Mr. **HR** asked, surprisingly.

—Yes, he said like that. Apparently, he felt like that.

Mr. **HR** hesitated: —Humm… Why, why did he feel so? Did he express other concerns?

Mr. **AD** pointed out: —Yes, he expressed 3 points: One is the staff meeting system. Why is so much time spent? …He

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> attended a meeting and found that a long time was spent explaining the material through a PowerPoint presentation, even though the paper had been distributed before the meeting. One is that most of the staff are spending time on administrative processing by computer or mobile phone in the morning. He said that morning is the time of the most exerting creative capacity. In other words, morning is the best time for concentrating on the main job. Another is our office environment. It is an environment like one century ago.
>
> …

Going back to their ***Jishu-Ken,*** which was now such long hours.

—Yes —Em mentioned—, we are reviewing our Annual Action Plan. Even so, what does it mean? Indirect workers' bad performance. Humm… —**Em** concerned.

—Could I be wrong? Is that Meeting? —Af asked.

—Meeting? —**Pm** hesitated—. We have already established the meeting system, which includes: a Regular meeting schedule, material preparation and distribution before the meeting and simple PowerPoint material for use in the meeting. Is there Muda in our meeting still?

—**Af-kun** (Af - ***san*** or ***kun*** are the same meaning), why did you feel like that? —**Pm** asked him.

Af answered: —Sensei doesn't teach us and always says To Think by Yourself. I need to find this answer.

We are generally referred to as "indirect workers". Is our working performance low? —**Hr** requested. —**Af-kun**, please let us know the background of Sensei's tweet more as much as possible.

—Umm —**Af** hesitated. —I think there are 2 things.

—One is his sigh. And he asked that Why do you have so many meetings? It is not a bad thing to have a meeting for communication. But he felt it was too much. He said as follows: "When reading a resolution of a quality matter meeting, he felt it was a level of unnecessary meeting, but it is sufficient with a quick chat. Another one is too many hours of one meeting".

—We have good meeting system, but he feels it is not working well —**Af** mentioned.

—Does that mean there are so many Muda in meetings? —**Hr** asked.

—Maybe yes —**Af** pointed out. —One more is the quality of the meeting. It may not be the mean of the contents and theme, but the meeting method.

—I see —**Em** admitted. —We must review the meeting frequency, must we? …Shall we bring back such a meeting frequency problem and the improvement to our department? There may be Muda meetings.

—What is another meeting problem? Meeting method? …It is not clear. Perhaps the meeting method? Humm —**Em** hesitated.

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—Oh, that reminds me —**Sm** requested the attention. —One time, we had a meeting with Kimura-sensei. This was an issue in my department, not yours, OK? …When making the meeting, he said with a disgusted look:

> —My best record of a short meeting was 5 minutes, even though it had more complicated content than this.
>
> —It was 5 minutes. 5 minutes! —I repeated.
>
> —Why does your meeting need so many hours? Making a meeting means constraining the hours of several people. There are two purposes for making a meeting, as you know. One is like brainstorming and creating ideas. One is to make a final decision and confirmation in the discussion.
>
> —Creating ideas by Brainstorming needs proper hours. But another one doesn't need so many long hours. Instead of a long-hour meeting, it is necessary to prepare and distribute the materials, read them and ask questions, if necessary, before the meeting.
>
> —Why are so many long hours needed for the discussion? And another one, why do you have such a meeting in mid-morning?

40-30 Problem

I understood he was anxious about spending hours in the meeting. These meeting hours and mid-morning meeting issues were discussed in the next Jishu-ken, and I am describing them continuously in this column.

—Everyone —**Hr** requested—, as you already know, my department has asked for a survey about the contents of your staff.

—The contents are Core working hours, meetings, e-mails and responses. Very simple and just 3 items. This was the suggestion of Kimura-Sensei. Then the statistical totalization was finished and reported to the management team.

—The results surprised us: The Core working hours ratio was under 40%. The next large volume was Meeting hours, 30%. It is indeed surprising. Core working hours, 40%!

—When looking at the time allocation in the general company, the guidelines vary, and while it depends on the company and industry, the following are examples of ideal time allocations in many workplaces:

- Core tasks (actual work): 60-70%
- Meetings: 10-20%
- Other tasks (email processing and miscellaneous tasks): 10-20%

—In our company's time allocation, it seems that the proportion of core tasks is so low, with meetings and email processing taking up a lot of time.

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—The cause of this very low performance is spending too many hours on meetings. Also, why are so many hours spent on the Internet? …Based on this report, ***Sensei*** said as follows:

The following is the conversation between Mr. Hr. and me.

> —It is not the issue about the number of meetings, but the hours of the meetings. You are reconsidering the departmental annual plan for cost improvement, profit recovery, and process rationalization.
>
> —Production Gemba is required to improve labour efficiency, Muda reduction of materials, etc. Despite that, why not challenge the performance improvement of indirect workers (staff)?
>
> —The reason is simple, and it isn't easy to find the index. But I dare to suggest that you challenge the Reduction of meeting hours.

—I told him it may not be so tricky —**Hr** mentioned that conversation—, and one of the ideas is to limit the meeting hours. Then they have the mind to finish and find a result within the limited hours. Then, he told me with a bitter smile as a follow-up.

> —First of all, it is not so simple. I called Mr. **Hr**'s attention.
>
> —Why do they need so many hours for a meeting? The meeting procedure includes preparing meeting materials, distributing them before the meeting, making an agenda, selecting a facilitator and creating a simple PowerPoint presentation.
>
> —This procedure is good and no problem. However, the problem is that when holding a meeting, the speaker is asked to explain the material content in depth using a PowerPoint presentation.
>
> —Why? Why can't they understand the distributed material? Why do they ask for an explanation about the contents of the materials in the meeting?
>
> —Those young attendees probably cannot understand or read the material. It is not a problem of meeting skills. Probably these young generation has the <u>problem of Reading comprehension</u>. And they need Auditory information for understanding.
>
> —Sensei —**Hr** asked me—. You are worrying too much. I believe they have the necessary skill of reading material (skill of Reading comprehension). So, I will notify all departments about two things. One is setting Meeting hour limits. Another is deep reading the meeting material before the meeting.

Skill of Reading Comprehension

—What is your opinion about the notice's effect? —**Em** asked **Hr**—. I think it had a particular effect of shortening meeting hours.

—But it had something strange, for instance, my department —**Em** mentioned—. There was a conflict between an engineer and a production department staff member who attended the same meeting about the contents of the engineering implementation. The production staff claimed that the contents of the engineering implementation are mismatched to the meeting decision. The fact was that my engineer misunderstood the requirement. I also had a one-on-

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one dialogue with this engineer. Then I understood that this young engineer couldn't understand the contents and context of the initial meeting material. Everyone. Unfortunately, I believe, it is not just my department, but a general issue across all departments. Shortened meeting hours, but a misunderstanding is occurring.

Hr detailed the answer: —***Sensei*** told us the cost improvement does not just mean cost improvement in ***Production-Genba*** or ***Office-Genba***, but must include the improvement of the usage of human resources. And, continuously told that our indirect workers' efficiency is tremendously low.

—One example is ***Office-Gemba***. ***Sensei*** was surprised by the issue of 40 and 30%. Unfortunately, our company may not be able to use the full capacity of the indirect staff.

—Humm… —Hesitated **Hr**—. And such a result may be suffering the capacity building of staff. Recently, when I visited a department office, I saw a desktop screen showing the job advertisement site. And I thought that this person is thinking about a career change. As you know, the turnover of the young generation has recently increased. It is the manifestation of increasing complaining.

—But ***Sensei*** told me that it is too much of a leap to attribute the cause of career change and turnover increase to the bad performance of staff ***Genba***. The causes of career change or turnover increase (as in the Japanese case) are the working environment and conditions, interpersonal relationships, mismatch of work content, concerns about career development, and dissatisfaction with compensation.

—And he requested me to resolve and improve the 40-30 Problem for improving the indirect workers' efficiency.

—40-30 Problem? —**Hr** asked—. Staff meetings are not a problem of frequency, but the problem of spending too many hours on one meeting. It says our staff's performance is so bad. Humm. We used the words efficiency or performance mainly for the production of Genba. But it hadn't been used in our office, had it?

Em mentioned: —I use the words efficiency and performance for my staff. For instance, your work has some defects, despite spending long hours. I use such words very naturally. Therefore, I believe these words are common in the ***Office-Genba***.

—Anyway, indirect workers' low efficiency and performance should be one of the company's important cost improvement targets. Even so, why is that? Why is it taking so long to spend hours on one meeting?

—I observed the office staff in these 2 months —**Hr** pointed out—. And probably, I could find out the truth. Once again, the next step in a meeting is next.

—Necessary information (report) by the meeting requester. And PowerPoint by the meeting requester. Agenda. Meeting starts. Explanation by PowerPoint by the requester. Question and Answer (For understanding and confirmation). Discussion and solution. Confirmation. Issuing a meeting report.

—Then my observation result is that I spend too many hours on the "Question and Answer (For understanding or confirmation)" process.

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—The result shows attendees don't understand the “Necessary information (in report)". Therefore, attendees requested a deep explanation in PowerPoint and asked questions about the contents. It is indeed ridiculous. ***Sensei*** also felt the same thoughts. And he added another concern to the physical misunderstanding. It is related to recognition bias and the influence of the SNS of the internet.

—He talked about the influences of so-called "**echo chambers and filter bubbles**".

—Mmm —**Sm** hesitated and showed his concerns—. Complicated! The long hours spent in meetings are habitual, aren’t they? Anyway, the cause of the long meeting was that they could not understand the interpretation and context of the report materials, didn’t they?

—I know the problem of **Cognitive bias**, but I haven’t heard such words as echo chambers and filter bubbles and find them unclear. Even so, long meetings are necessary to avoid ineffective activity.

—No, no, no —**Hr** concluded—. That is called an ineffective meeting. Do you know how many office workers, including us, are there in our company? More than 40% of the total employees. If it is so bad in efficiency, etc. Cost reduction? Cost improvement? Anyway, we need to recognize that we have so much ***Muda*** in ***Office-Genba***. It is necessary to improve the efficiency of indirect workers. The 40-30 Problem!

—Is it the meaning of workforce reduction in indirect workers? —**Sm** asked **Hr**.

—No, not at all —**Hr** clarified—. We need to request our staff to work not only for the core business, but also for creative thinking jobs. The 40-30 problem. What do you all think? How about raising this issue at the next management team meeting?

It was agreed upon by all ***Jishu-Ken*** members to escalate the issue to the next management level.

Echo Chamber & Filter Bubble[6]

Echo Chamber

An echo chamber refers to a situation where opinions or information are repeatedly shared and amplified among like-minded individuals. In such environments, people tend to believe their views are widely accepted, while alternative perspectives are often excluded.

Common Contexts for Echo Chambers:

1. **Social media**: Algorithms suggest content based on users' interests and past behaviour, surrounding them with similar opinions and sources.

[6]**Echo Chamber & Filter Bubble:** https://www.fondationdescartes.org/en/2020/07/filter-bubbles-and-echo-chambers/ *“Echo chambers and Filter Bubbles are online phenomena where individuals are primarily exposed to information that reinforces their existing beliefs and biases, limiting their exposure to diverse perspectives.”*
[Esp] https://es.wikipedia.org/wiki/C%C3%A1mara_de_eco_(medios)
[Eng] https://en.wikipedia.org/wiki/Echo_chamber_(media) & https://en.wikipedia.org/wiki/Filter_bubble

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2. **Political Discussions**: Ideological polarization leads people to rely on media or communities that support their views, isolating opposing perspectives.
3. **Workplaces or Social Groups**: Homogeneous values or beliefs within groups can hinder the acceptance of diverse ideas or viewpoints.

Effects of Echo Chambers:

- -Reinforcement of Biases: Repeated exposure strengthens the belief in one's own perspective.
- -Promotion of Division: Limited exposure to differing views makes dialogue difficult.
- -Information Imbalance: Misinformation can spread unchecked.

Solutions:

- Engage with diverse sources of information.
- Respect and actively seek alternative opinions.
- Critically evaluate the reliability of information.

<u>Filter Bubble</u>

A filter bubble is a phenomenon where algorithms used by search engines and social media platforms personalize content based on an individual's interests and online behavior. This creates an environment where users are primarily exposed to information that aligns with their preferences, often without realizing it.

How Filter Bubbles Work:

1. **Algorithm Optimization**: Platforms collect data from user actions like search history, clicks, and likes.
2. **Personalized Content Delivery**: Content tailored to users' preferences is prioritized in their feeds or search results.
3. **Reinforced Selection**: Repeated exposure to aligned content limits access to diverse perspectives.

Effects of Filter Bubbles:

- **Narrowed Worldview**: Reduced exposure to differing opinions and ideas.
- **Reinforced Biases and Misinformation**: Users are shown content that validates their beliefs.
- **Polarization**: Greater division on political or social issues.

Solutions:

- Access diverse information sources.
- Adjust search engine or platform settings to minimize personalization.
- Use neutral platforms that prioritize balanced content.
- Foster dialogue with individuals holding different perspectives.

Foundation Descartes: Echo chamber and Fitter bubble

The Key Difference between Echo Chamber and Fiter Buble

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- Echo Chamber: A social phenomenon where individuals amplify similar opinions within a group.
- -Filter Bubble: A digital phenomenon caused by algorithmic filtering of information.

By Genspark ai

The Management Meeting. The 40-30 problem and suggestions from the Jishu-ken.

These were raised as one crucial issue of (Indirect) Cost improvement and agreed by all. The suggestion by Jishu-Ken members were next.

(1) Skill-up of Reading Comprehension: Awareness-raising activities by all department.
(2) Deep Understanding of meeting material: Reading materials 3 times campaign.
(3) Meeting time limit setting.
(4) Abolition of Power Point of detail explanation. Just agenda with time allocation.
(5) No Smartphone on the working table.
(6) No use of Smartphones during work.
(7) Internet treatment in the afternoon and not in mid-morning. (Excluding Sales department)

This was taken in the style of a suggestion with a deep explanation about the 40-30 problem to the Office Gemba Committee and the Workers Union.

What were the results? …Skill of Reading Comprehension. Still or permanently, this issue shall remain. But others showed promising results. The improvement of the office environment is still a pending issue.

IV. The Next Lecture.

We continue explaining some Matrix diagrams, Control graphs, and Quality Control Circles Activities.

Koichi Kimura, CC4 – April – 2025

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Appendix A: The importance of creative work at JISHU-KEN

In recent years, I've been fortunate enough to explore two models of creative work: individual creative work, to which we're very accustomed in the West (my primary occupation), and the JISHU-KEN creative work taught by ***Sensei*** Kimura, based on his experience.

Also, in recent readings, readers and I have been fortunate enough to participate in the creative work of building systems, solutions, and processes in the JISHU-KEN sessions for Middle Management and General Management, during the Cost Reduction and Consulting Work in Business series. We can thus confront two entirely different management and work models. On the one hand, JISHU-KEN, which fosters critical thinking, creativity, innovation, empowerment, and full participation, and on the other, which unfortunately tends to foster the exact opposite.

A five-year plan of the Chinese Communist Party.

In many Western companies, both large and small, we are very accustomed to assigning the work of developing processes and/or systems to one person. If this person has talent and experience, the results may be somewhat apparent. But this always, always, always suffers from disaffection on the part of those responsible for implementing the process, system, or solution to a problem. This happens all the time when developing a Quality system or a "simple" FMEA, or any complex system, even with some process or process analysis and solutions to the problems identified. A standardization of a process that doesn't involve the participation of those responsible for implementing it is a perfect example.

The result of this work is that few truly implement or excel. Or, at best, the system dies when the person leaves the specific task or job.

The main symptom of this happening is that the system or process developed is excessively detailed because each step has to be explained in depth, on numerous occasions and in very diverse formats and media: Presentations, memos, Meetings, Follow-ups, Videos, Web Pages, Change Agents, etc. In some of these cases, ***Sensei*** Kimura has used the expression: “ It seems like a plan developed by Xi Jinping .”

Thus, the system or process fails to integrate stakeholders into its construction, nor does it truly adapt to the specific characteristics or culture of the country or group, and is ultimately abandoned. At best, the system or process is part of a legal or contractual requirement. Thus, its development continues for that reason alone, but has few real functional implications, even though it appears to do what is required.

I've been fortunate enough to meet companies that have attempted to design a comprehensive excellence development plan, as well as others that, having already done so, have abandoned it in favor of a much more flexible and participatory approach. Every day, I meet more companies that, for example, receive advice from the JIPM or its exclusive regional partners, whose process map resembles more a Chinese Communist Party five-year plan than a system for developing excellence. I've also encountered large multinational companies that, having initially opted for this path, have realized their mistake after a few lost years, much demotivation, and confusion.

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But the work in JISHU-KEN that Sensei shows us in his readings gives us an idea of how this work of self-development and self-study can be developed in the way that the Quality Control Circles were originally conceived.

A packed agenda of meetings

One of the signs that we've been missing the point is that meetings are multiplying and becoming mere presentations of developments, results, or simply sharing existing material. There are managers whose sole function is to attend meetings, respond to long emails after long emails, thereby generating more bureaucratic burden, and seek approval for everything they handle. As we've learned in this reading, meetings should be held solely to express opinions regarding previously distributed material. If someone doesn't contribute anything to the meeting, they shouldn't be there. And finally, to vote to agree on the previously submitted actions.

Perhaps the significant comparative lag of the German and American automotive industries compared to those in China or Japan —except for Nissan—is due to this characteristic, very typical of some Western corporations. In these corporations, decisions truly require approval from multiple levels of management at very different levels. These decisions are delayed and complicated until they become snowballs that grow and grow due to inaction. Complex or excessively detailed systems also generate these communication and decision-making silos that are very difficult to break. These silos are expressed in even more complex areas of power and subsystems.

The disaffection generated by these systems, simply created and exposed, or simply available on the corporate intranet, is undeniable. Even when change management techniques or methodologies, such as PMI or even ADKAR, are supposedly used and promoted, this disaffection occurs. This disaffection is often addressed by recruiting change agents, who generate even more bureaucracy and unnecessary follow-up meetings. All this after investing significant amounts in Process Maps, Implementation Maps, Video Training, in-person training, Checklists, etc.

These systems are created by one person or a small group of people within organizations, which in some cases include tens of thousands of people capable of contributing knowledge, different points of view, different visions and skills, cultures, and experiences. All of these people contribute diversity, which is so important for fostering creativity and disruptive innovation. And yet these people are not heard.

I'd like to include an image from the book The Excellence System , which simplifies Kimura Sensei 's teachings on how to define an excellent company and what conditions it requires. These two conditions "inside the excellence pie" connect with what I've just said:

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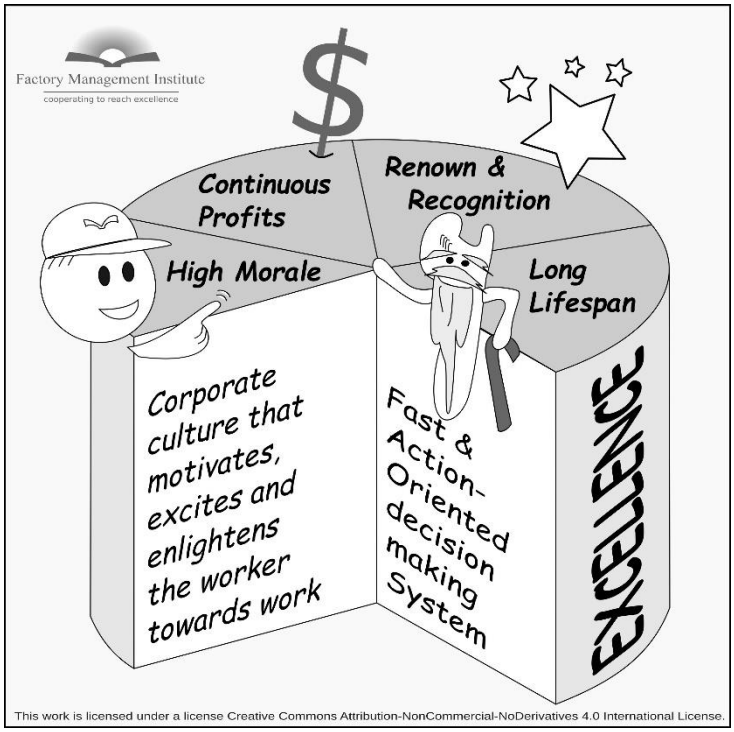

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Work at JISHU-JEN

The figure above shows two requirements: 1—A corporate culture that motivates, excites and inspires the worker towards work, and 2—A fast and action-oriented decision-making system.

To motivate employees, we must involve them in developments and listen to their voices. We can answer the typical question: What's in it for me ? Or we can involve them in the systems created through JISHU-KEN sessions, allowing them to take responsibility for that answer themselves.

Some Western companies, as I mentioned, are already abandoning the rigid path created by one person or a small group and/or consulting firm for the entire corporation. Instead, they are offering support and a statement of philosophy and policy, leaving each department or plant free to develop its own processes and systems, based on a statement of corporate policy and business philosophy.

Thus, a rigid system allows you to use the same language throughout the corporation. Perhaps that's the only advantage. At least that's what I've heard from its creators. Yes, but it doesn't allow you to integrate new ideas, perspectives, or cultures, and it doesn't even allow you to integrate other systems that work better than the current one. And it doesn't allow you to learn new things that the talented people working in each department, plant, or region are capable of developing.

To achieve this and as ***Sensei*** Kimura says, develop the ***Corporate Constitution*** or ***Rightware*** .

Eduardo L. Garcia — May , 2025 — Factory Management Institute — CC4.

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